Annual Report

1991

BCE Inc.

Leadership

in Telecommunications

BCE is a management holding corporation whose core businesses are the provision of telecommunications services and the manufacture of telecommunications equipment. BCE also has major interests in financial services and in a number of other businesses.*

BCE has the largest number of registered shareholders of any Canadian corporation and its common shares are listed on exchanges in Canada, the United States, Europe and Japan.

1992 annual meeting
The annual meeting of BCE shareholders will take place at 11 a.m., Tuesday, April 28, at the Château Frontenac, 1, rue des Carrières, Québec, Québec.

Contents

Principal subsidiaries

Bell

Bell Canada is Canada's largest supplier of telecommunications services, providing advanced voice, data and image communications to some seven million customers in Quebec, Ontario and the eastern Arctic.

northern telecom

Northern Telecom Limited is a leading global supplier of fully digital telecommunications systems. It is 52.8 per cent owned by BCE and its common shares are listed on the New York, Toronto, Montreal, Vancouver, London and Tokyo stock exchanges.

BNR

Bell-Northern Research Ltd. is Canada's largest research and development organization and is a world leader in the design and development of advanced telecommunications systems. It is 70 per cent owned by Northern Telecom and 30 per cent by Bell Canada.

BCE TELECOM INTERNATIONAL

BCE's international investment and consulting interests are administered by BCE Telecom International Inc. These interests include, among others, Bell Canada International, BCE's international consulting arm.

BCE MOBILE

BCE Mobile Communications Inc. provides cellular, message management, private radio, mobile data and air-to-ground communications services. At year-end, BCE owned 65.5 per cent of BCE Mobile, whose shares are traded on the Montreal and Toronto stock exchanges.

MONTREAL TRUST

Montreal Trustco Inc., wholly owned by BCE, markets financial and trust services to individuals, businesses, governments and institutions through branches and offices across Canada.

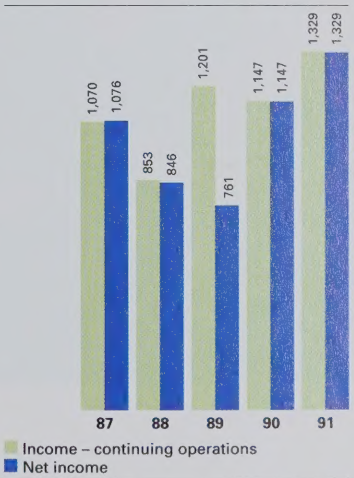
The annual reports to shareholders of BCE's public companies may be obtained directly from those companies, or by request to the Vice-President and Corporate Secretary of BCE Inc.

Financial highlights

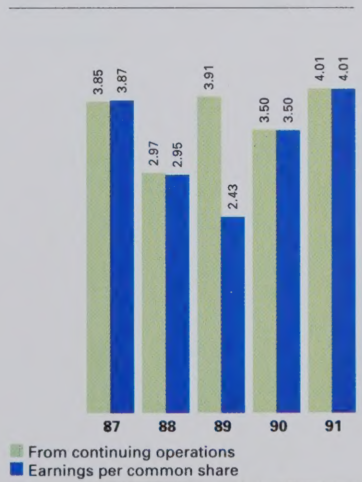
($ millions, except per share amounts)	**1991**	1990	1989
Total revenues	**19,884**	18,373	16,681
Income from continuing operations	**1,329**	1,147	1,201
Loss from discontinued real estate operations	**—**	—	(440)
Net income	**1,329**	1,147	761
Net income applicable to common shares	**1,235**	1,062	724
Earnings per common share			
Continuing operations	**4.01**	3.50	3.91
Discontinued real estate operations (loss)	**—**	—	(1.48)
Earnings per common share	**4.01**	3.50	2.43
Return on common equity	**12.0%**	10.8%	7.6%
Total assets	**45,704**	41,987	39,261
Gross capital expenditures	**3,236**	3,318	3,239

Total revenues
($ millions)

Net income
($ millions)



Earnings per common share
($)



Total assets
($ millions)

To all our shareholders

Despite the impact of the economic recession, BCE achieved record earnings in 1991. Bell Canada improved its earnings in a particularly difficult business climate, while Northern Telecom's earnings were up by 14 per cent.

The solid results achieved by our core telecommunications businesses reflect a consistently high level of investment in research and development and in the application of proven new technology. We continue to offer our customers the highest quality, most innovative products and services at competitive prices.

BCE's net income of $1,329 million, 15.9 per cent better than in 1990, was the highest yet achieved. Earnings per share at $4.01 were up 14.6 per cent over last year.

The Bell Canada contribution to BCE earnings per share, at $2.97, was the same as last year. This was a considerable achievement in a year which has seen telephone service companies elsewhere in North America post declines in earnings.

Northern Telecom had a remarkable year, increasing its contribution per share to $0.97 from $0.89. Significantly, the proportion of revenues coming from sales outside North America increased to 26 per cent, from 13 per cent last year. This is a result both of the purchase of STC PLC in early 1991 and of Northern Telecom's increasing success in penetrating the markets of Europe, Asia and Latin America.

The recession negatively impacted Montreal Trustco, as it did many other trust companies in Canada. With the likelihood of a slow economic recovery in 1992, Montreal Trustco strengthened its balance sheet. Loan loss provisions were $33 million, 65 per cent higher than last year, and this, combined with a rise in non-performing loans, caused net income to decline to $42 million from $65 million. As a result, the contribution to BCE earnings per share declined to $0.07.

At BCE Mobile, revenues increased seven per cent to $350 million. The major contributor to BCE Mobile revenues, Bell Cellular, had

a net increase in subscribers of 54,000, or 26 per cent year-over-year, despite the recession. Investments in network infrastructure continued, with the service area expanded to cover 209,000 square kilometres, one of the largest cellular areas in the world.

Although 1991 was a successful year, many challenges lie ahead. The North American economy appears to be improving slowly, and this will affect our performance again in 1992. In addition, competitive pressures are growing in all our businesses. While we enter 1992 in a solid position, in the dynamic world of telecommunications we must constantly strive for improvement.

Our telecommunications interests offer enormous potential. A strong telecommunications system is the key to economic progress for any country and essential to business competitiveness.

The widely quoted study of Canadian competitiveness prepared by Michael E. Porter named Northern Telecom as one of a few Canadian firms competing globally on the basis of innovation. Characteristics of a successful competitor, according to the report, include a commitment to R&D, investment in new technology, and training and developing skilled employees.

This competitive profile is typical of companies in the BCE family. Bell Canada has upgraded its network infrastructure steadily with state of the art digital and fiber optic equipment. BCE affiliates in Canada's Atlantic provinces have overcome many natural obstacles to lay underground and undersea fiber optic cables that complete Stentor's (formerly Telecom Canada) nationwide fiber optic network. Modern equipment is more productive, easier to install and maintain, and more reliable. It also permits value-added services on which to build earnings.

Several BCE companies are involved in the development of what are called "personal communications services" (PCS). It is not yet clear what ultimate form and which standards PCS will eventually adopt, but BCE intends to be at the forefront.

J.V.R. Cyr (right)
L.R. Wilson

Throughout the BCE group, improvements have been made in management and organization. Good management means investment in skilled, motivated employees. BCE companies have a long-standing reputation for encouraging employees to improve their education and training and to formulate career goals. The result is a level of employee dedication and competence which is second to none.

As telecommunications become more and more important in the economic performance of a country or a business, products and services come under more competitive scrutiny. Customers weigh cost against performance and compare suppliers, treating telecommunications as they would any other supplier's product. Relationships between operating companies, manufacturers and customers, therefore, are changing.

As a result, increased competition is developing not only in equipment, but also in a broad range of services. And this competition is no longer only Canadian or even North American. International standards, global networks and the rapid pace of technological innovation mean that national frontiers no longer define the market.

For an international group like BCE, globalization opens up many new opportunities. Investments abroad can strengthen the corporation, both in terms of people and product development, and of new sources for growth and profits.

While large by Canadian standards, BCE is relatively small when compared with many other American, European or Asian telecommunications groups. Our major advantage, other than a recognized reputation for quality, is that our companies are involved in virtually every facet of the telecommunications business: service, manufacturing, mobile communications and consulting.

Often, we lack the muscle of some of the larger competitors in this business. We will not, however, pursue new investments in higher-risk developing nations at prices which do not permit the prospect of a fair return.

To build BCE internationally, we will aggressively pursue appropriate opportunities, forming strategic alliances with other international companies where possible. Our international investments and consulting projects are administered by BCE Telecom International, which calls on the expertise resident in all BCE companies.

There is no doubt that the future, in Canada and abroad, belongs to companies with a strong technological base, a market big enough to foster innovation, and the necessary human and financial resources. This is why, within Canada, members of Telecom Canada have reorganized into a stronger, more effective consortium called Stentor.

Within BCE, we have taken steps to streamline our management organization, to improve our competitive position by providing stronger corporate support to our component companies. Telecommunications investments are now organized in three groups: BCE Canadian Telecom, BCE Telecom International and BCE Directories.

J.V. Raymond Cyr, chairman and CEO of BCE, is chairman of the Canadian Telecom group. L.R. Wilson, president and chief operating officer of BCE, is chairman of both the BCE Directories and BCE Telecom International groups.

Jean C. Monty, chairman and CEO of Bell Canada, is president and CEO of Canadian Telecom.

Jacques B. Bérubé, formerly executive vice-president, Quebec Region, at Bell Canada, joined BCE in July as group vice-president, telecom international, and is president and CEO of BCE Telecom International Inc.

Thomas J. Bourke is group vice-president, directories, and president and CEO of the BCE Directories group. He is also president and CEO of Tele-Direct (Publications) Inc., a BCE subsidiary.

Gerald T. McGoey joined BCE in June as executive vice-president and chief financial officer. He is a chartered accountant with broad financial management experience and was previously president of Oxford Enterprises Inc., a real estate development company.

In September, Bernard Grégoire was appointed vice-president, corporate affairs. He has considerable experience in both the public and private sector and was vice-rector, public affairs, of l'Université de Montréal prior to joining BCE.

BCE's strategy in the immediate future is to continue refining our corporate focus, divesting non-core interests and improving profitability. In a longer perspective, we will expand our role on the international market, with the goal of becoming a strong global contender. These are major tasks, but BCE is in a good position to achieve them.

Finally, the continued success of BCE depends on the loyalty, skills and dedication of those who work in the offices, manufacturing plants and laboratories of BCE companies in North America and abroad. We look forward to the future with confidence.

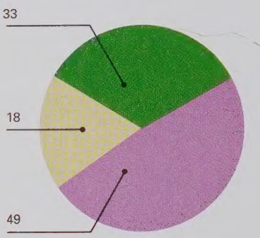
J.V. Raymond Cyr
Chairman of the Board and
Chief Executive Officer

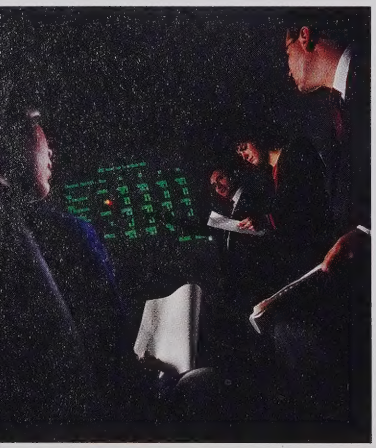
L.R. Wilson
President and
Chief Operating Officer

February 26, 1992

Telecommunications services

Source of operating revenues – Bell Canada 1991 (%)





The Bell Institute of Professional Development offers some 700 courses for employees. Here, engineers study "engineering economics", to judge when it is economically opportune to replace or upgrade equipment.

Canadians benefit from virtually universal access to one of the best telecommunications systems in the world. BCE subsidiaries or affiliated companies provide telecommunications services to some 19 million people or 70 per cent of the Canadian population, over an area covering some 7.5 million square kilometres.

The BCE telecommunications services companies contributed $982 million to BCE's earnings in 1991, an increase of 2.8 per cent over 1990. The ongoing recession affected revenues, but network modernization, increased efficiency and improved services have all contributed to improved earnings. Sustained efforts brought notable success to Northern Telephone Ltd., Télébec Ltée and Northwestel Inc.

BCE also owns 22.2 per cent of Teleglobe Inc., whose wholly owned subsidiary Teleglobe Canada Inc. ensures Canada's overseas telecommunications. Through Bell Canada and its other telecom investments, BCE has a 27.5 per cent interest in Telesat Canada, which transmits Canada's satellite communications.

BELL CANADA

Bell Canada provides advanced voice, data and image communications to nearly seven million customers in the provinces of Ontario and Quebec and the eastern Arctic. In a 1991 national independent Gallup poll, Canadians named Bell Canada as the country's best corporate citizen.

1991 financial results

Bell Canada contributed $914 million to BCE's consolidated net income ($2.97 per share), virtually unchanged from the $901 million ($2.97 per share) contributed in 1990. The company had operating revenues of $7,729 million, up one per cent over $7,655 million in 1990.

Local and long distance services provided approximately 82 per cent of Bell Canada's 1991 operating revenues, compared with 81 per cent last year. Local and access service revenues increased by six per cent to $2,575 million in 1991; the increase last year was seven per cent. Toll (long distance) and network services revenues

The new VISTA family of telephone terminals, to be introduced in 1992, work with powerful new network services such as Call Management Service (CMS) and TeleMessage Service (TMS).

Bell Canada successfully tested Megalink, an application of ISDN, in cooperation with Apple Canada in July 1991, linking Apple's head office in Markham, Ontario, shown here, with downtown Toronto.


Apple Canad

Bell Canada uses recycled or regenerated oil for its fleet of 12,000 vehicles, a program Mario Beaudoin and Jean-François Poisson helped develop. Bill Richard developed a program for recycling tires.

decreased by one per cent to $3,738 million, compared with an increase last year of five per cent.

At year-end, Bell Canada had nine million network access lines in service, a 2.6 per cent increase over 8.8 million in 1990.

Bell Canada has approximately 54,600 employees. Assets at year-end were $17,163 million. Return on equity was 12.9 per cent in 1991, compared with 13.2 per cent in 1990.

Improvements to network

The new era of globalized high-performance telecommunications means major readjustments for telecoms everywhere. In order to maintain leadership, the "Bell Vision" aims to offer customers lower rates, a stream of new services and evolution of technology.

Ambitious goals are possible because Bell Canada has made major investments in improving its infrastructure. Capital investment on equipment and facilities in 1991 was some $2.3 billion; in the five years between 1991 and 1995, Bell Canada forecasts spending some $11 billion.

At the end of 1991, all Bell Canada's long distance lines and two-thirds of local lines were served by digital equipment; by the end of 1995, more than 90 per cent of the network will be digital. Digital equipment is less expensive to buy, install, maintain and expand, while offering far greater capacity and capabilities. Powerful new services sending image, data and video over the public telephone system are made possible by fiber optic transmission, along with deployment of Common Channel Signaling System no. 7 (CCS7), a digital network overlay that vastly increases signaling speed.

Competitive environment

Local rates for Bell Canada's customers are among the lowest in the industrialized world. Low local rates have, in effect, been subsidized by relatively high rates for long distance and business services. However, modern global technology means businesses can increasingly circumvent Bell Canada if they find costs too high. The challenge is to retain business customers by reducing their telecommunications costs, while maintaining low-cost local service.

In the second quarter of 1992, the Canadian Radio-television and Telecommunications Commission (CRTC) is expected to decide on applications for competitive long distance service filed by Unitel Communications and B.C. Rail/Lightel (BCRL). Regardless of the outcome of this case, Bell Canada will maintain leadership in a competitive global environment.

In 1991, Bell Canada implemented some $70 million in long distance rate reductions. More reductions will be made with the goal of reaching parity with U.S. long distance rates for large and medium-sized customers by 1996. Leading-edge services and price packages such as 800 Service, WATS,

Bell Canada highlights		
($ millions)	1991	1990
Operating revenues	7,729	7,655
Net income	986	966
Total assets	17,163	16,605
Gross capital expenditures	2,295	2,343
Number of employees	54,632	56,530
Network access services (thousands)	9,024	8,798
Message Toll Services messages (millions)	1,758	1,702

Megastream, Advantage, DataPac and FaxCom are continually being introduced. New services for businesses stress convenience and cost effectiveness.

Two new business services based on Integrated Services Digital Network (ISDN) have been filed with the CRTC. ISDN increases the speed and capacity of a network for carrying data and image information, in addition to voice. Megalink is for medium and large businesses with digital PBXs, host computers and sizeable data applications. Microlink gives small and medium as well as large businesses access to a range of new business applications from the desktop.

New services to the home

Advanced technology has also brought extraordinary services to the home. Call Management Service (CMS), introduced in mid-1990, offers a range of services including Call Display, Call Screen, Call Trace and Call Return.

The first TeleMessage Service (TMS) product, Call Answer, was announced in 1991. When the telephone is not answered or busy, Call Answer routes the call to a voice mailbox, where callers are invited to leave a message. Another TMS service, Family/Extension Call Answer, will be introduced in 1992.

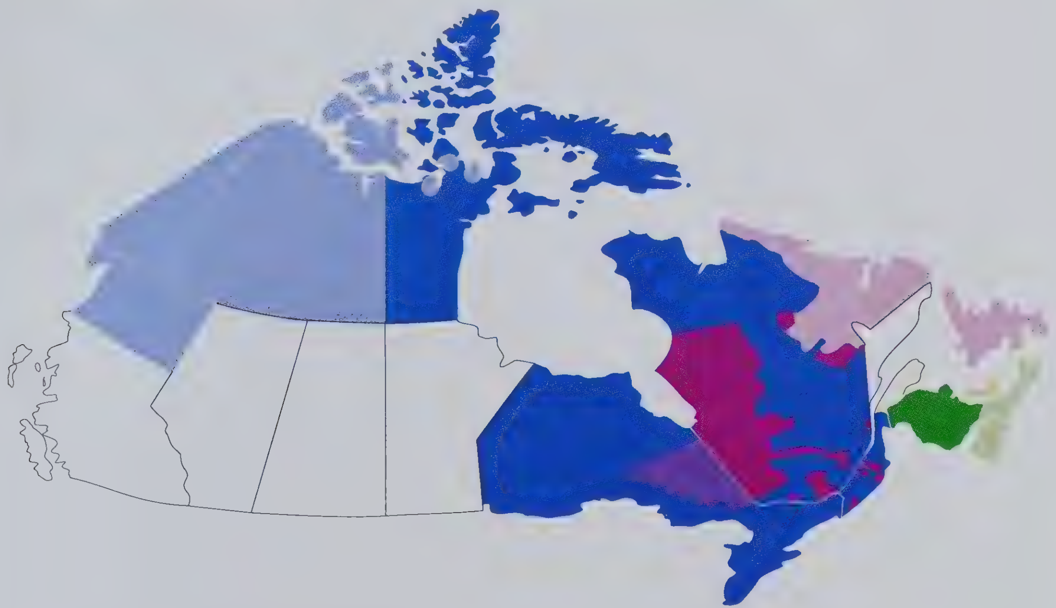
Personal communications services (PCS)

PCS will make the telephone far more convenient. People will carry a lightweight, cordless telephone. A personal number will mean that a subscriber can choose to be reached anywhere anytime. A personal agent will route calls and take messages.

Bell Canada conducted eight business trials of various wireless systems in 1991 to determine which standard will best meet the needs of all customers in office, home and public environments. More trials are planned in 1992. An eight-month test of the personal number and agent began in early 1992 in Ottawa/Hull.

New Brunswick Telephone was the first telecom in Canada to introduce Call Management Service (CMS). Peter Otis of Norton, New Brunswick, a potash miner who works an evening shift, uses CMS to manage family telephone calls.

Telecommunications services — BCE investments in Canada



	percentage ownership
Northwestel Inc.	100
Bell Canada	100
Northern Telephone Limited	99.9
Télébec Ltée	100
Bruncor Inc. (The New Brunswick Telephone Company, Limited)	32.0
Maritime Telegraph and Telephone Company, Limited	33.6
The Island Telephone Company Limited	subsidiary of MT & T
NewTel Enterprises Limited (Newfoundland Telephone Company Limited)	55.0

Telecommunications equipment manufacturing

NORTHERN TELECOM

During 1991, Northern Telecom Limited made significant strides in global markets. Leading-edge fiber optic and digital products were brought to market or announced. The purchase of the British manufacturer STC PLC, finalized in early 1991, strengthened the company's position.

Northern Telecom, of which BCE owns 52.8 per cent, is a world leader in the development, manufacture and marketing of telecommunications equipment. It is the leading global supplier of fully digital switching systems.

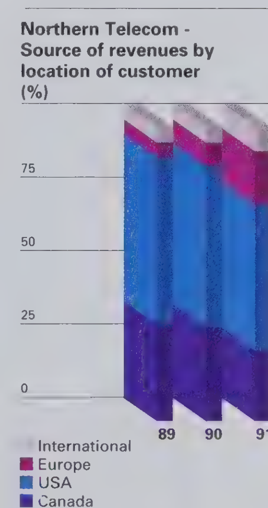
The company has taken a lead in fiber optics, which permit much faster and higher capacity transmission. A complete line of FiberWorld switching, access and transmission equipment will be on the market by the end of 1992.

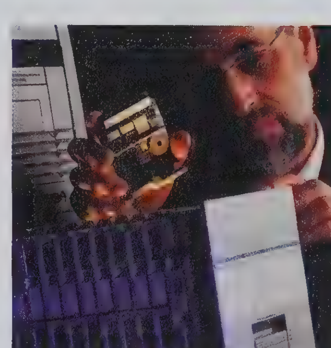
Northern Telecom sells products in more than 80 countries and operates some 55 manufacturing plants in 10 countries. Worldwide, it employs some 57,000 people, principally in Canada and the United States, but also in the United Kingdom and around the world.

As most of its earnings and net assets are denominated in U.S. dollars, Northern Telecom reports in this currency. Net earnings applicable to common shares for 1991 were US $497 million, up 14 per cent over the US $436 million reported in 1990. Revenues for 1991 were US $8,183 million, up 21 per cent over US $6,769 million in 1990.

The contribution to BCE's consolidated net income, in Canadian dollars, was $299 million ($0.97 per share), an increase of 11 per cent over the 1990 contribution of $270 million ($0.89 per share).

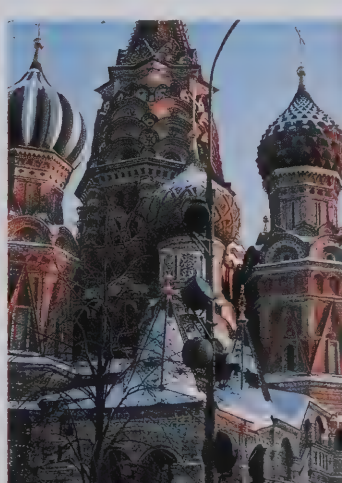
Sales outside North America represented 26 per cent of total revenues compared with 13 per cent in 1990. Sales in the United States accounted for 50 per cent of revenues, compared with 55 per cent last year, while sales in Canada accounted for 24 per cent of revenues





This one reprogrammable S/DMS AccessNode line card, held by Fred Meyer of BNR's Meriline laboratories in Ottawa, can provide about 95 per cent of the services in Bell Canada's portfolio.

The S/DMS TransportNode, manufactured in Ville Saint-Laurent, Quebec, has four times the capacity of standard transport systems. Some 85 of these are being deployed in Stentor's (Telecom Canada) SONET route, the longest in the world.



Northern Telecom DMS and PBX switches are installed in Moscow, where they will link selected international hotels, via microwave and satellite, with the outside world under the SOVINTEL joint venture.

SOVINTEL СОВИНТЕЛ™

in 1991, compared with 32 per cent last year. Canadian revenues declined due to the recession and because Canadian federal sales tax is no longer included in revenues, following a change in tax law.

Northern Telecom's long-range goal, expressed as Vision 2000, is to achieve global leadership in telecommunications. Northern Telecom estimates that by the year 2000, the global telecommunications equipment market will be $200 billion, versus $120 billion today.

Public networks

The backbone of Northern Telecom's public networks product line is the DMS (Digital Multiplex System) switch, which routes calls for public telecommunications systems. The DMS family ranges from DMS-10 switches for small cities or rural areas, to DMS-300 gateway switches used to route traffic internationally. The S/DMS SuperNode switch, based on fiber optic transmission, substantially increases the speed and capacity for routing calls.

Owners of older DMS switches can upgrade to S/DMS SuperNode as their requirements expand. Eventually almost all DMS switches worldwide will be upgraded as telephone companies begin to offer services requiring more powerful software.

Northern Telecom is a leader in applications of Common Channel Signaling System no. 7 (CCS7), an intelligent network architecture which uses special signaling for call setup and routing over the public network. Telephone companies so equipped can offer a host of advanced services.

Major DMS sales

Important sales of DMS switches were made during the year to the PTT Telecom Netherlands; Deutsche Bundespost Telekom; the Japanese telecommunications company INTEC; Microtel Communications Limited in England; Telefonos de Mexico (Telmex); Cidecom Cellular in Chile; and Telecom Australia. In eastern Europe,

STC Submarine Systems won worldwide orders totalling some US $600 million in 1991. This cable-laying ship at the STC plant in Portland, Oregon, is bound for Japan.

Northern Telecom highlights		
(US $ millions)	1991	1990
Operating revenues	8,183	6,769
Net income	515	460
Total assets	9,534	6,842
Capital expenditures	514	442
Number of employees	57,059	49,039

switches were sold to the consortium SOVINTEL, which is setting up telecommunications links in Moscow, and to the Azerbaijan Ministry of Telecommunications.

In the United States, Northern Telecom won a contract to install DMS switches to upgrade some four million telephone lines, as part of a US$1.05 billion network modernization program announced by Ameritech Corporation. Ameritech's five operating companies serve Illinois, Indiana, Michigan, Ohio and Wisconsin.

Northern Telecom will also modernize some two million lines in the network of Southwestern Bell Telephone Company.

STC Submarine Systems, a unit of Northern Telecom Europe Limited, manufactures undersea transmission cable systems that link continents. During the year, STC Submarine won contracts to supply an undersea fiber optic cable from Denmark to Saint Petersburg; to link Djibouti, Bombay and Colombo, as part of the world's longest fiber optic submarine system; and to build a submarine cable system running across the Gulf of Thailand, in a joint venture with a Thai partner.

Private networks

The Meridian PBX (private branch exchange) system for routing calls in private networks for business or government is used in some 80 countries. The Meridian I product family has a common hardware platform which can be adapted to conditions anywhere in the world by adding appropriate software. In 1991, introduction of an Option 11 product extended Meridian's market to small businesses with as few as 30 lines. At the upper end of the scale, a Meridian network serving the German company BASF AG has 28,000 extensions handling 250,000 calls daily.

Northern Telecom is a world leader in data packet switching, which links large private telecommunications systems worldwide. More than 80 Northern Telecom DPN-100 networks are installed worldwide. The DPN-100 family was improved this year with new software which increases its connectivity options, as well as capacity and management capabilities.

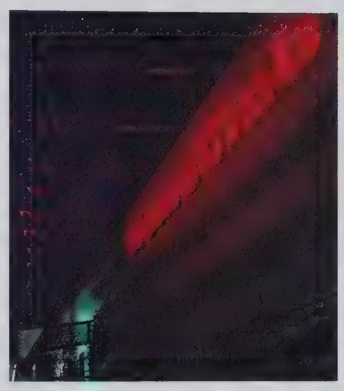
In addition, frame relay technology is becoming widely accepted. DataSpan, Northern Telecom's frame relay service, was shipped to DMS-100 customers for trial during the year. With DataSpan, an organization can connect local area networks, terminals and host computers located in dispersed sites into a wide area network over economical public telephone lines.

Wireless networks

Northern Telecom is developing a strong cellular product line led by the DMS-MTX SuperNode, the largest capacity cellular switching system in the world. Many mobile cellular telephone system operators are expected to begin converting to digital radio technology in 1992. The DMS-MTX Digital Ready switch will allow cellular service providers to add support for digital without sacrificing analog support.

In the near future, portable low-power wireless telephones are likely to be one wave of growth. A system enabling office workers to carry telephone handsets as they move through their workplace will be the first offering in Northern Telecom's new personal communications services (PCS) line, to be launched in 1992.

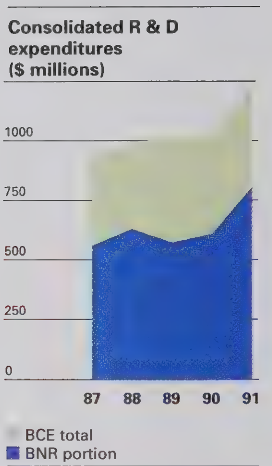
Northern Telecom plans to supply a complete range of wireless products for public and private PCS networks in markets around the world. These products will conform to all recognized national and international standards.



The Home Club retail warehouse chain ordered the new Meridian I Option 11 PBX for many stores, including this one in Redding, California. Option 11 offers advanced features to businesses with 30 to 200 lines.

Research and development

A wireless communications system will permit users to be contacted as they move around the workplace. This system, based on BNR/Motorola technology, is being tested here by Stephen Rayment, senior manager at BNR's facility in Nepean, Ontario.



Strong emphasis on research and development has given BCE companies the capability to maintain long-term leadership. BCE's R&D programs are highly productive and cost-effective, bringing fully tested, robust products swiftly to the market, at competitive prices.

As a group, the BCE companies invested $1.2 billion in R&D during 1991, compared with $1 billion in 1990. The largest expenditures were made by Northern Telecom, at US $948 million, and Bell Canada at $132 million.

In becoming a world leader, Northern Telecom has been a front-runner in investing in R&D. In 1991, 11.6 per cent of revenues was spent on R&D, compared with 11.4 per cent of revenues in 1990. While the amount of money spent on R&D is expected to rise in future, the amount as a percentage of revenues should remain steady.

Bell Canada has announced plans to spend some $2 billion on R&D between 1992 and 2002, compared with more than $1 billion during the decade of the 80s. Since the establishment of Bell-Northern Research Ltd. in 1970, Bell Canada has invested about two per cent of its total operating revenues in R&D.

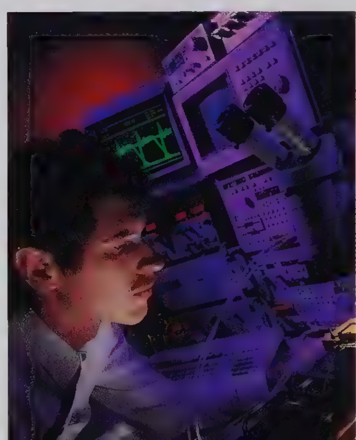
BELL-NORTHERN RESEARCH

The bulk of BCE's investment in R&D is managed by Bell-Northern Research Ltd. (BNR), which is owned 70 per cent by Northern Telecom and 30 per cent by Bell Canada. Headquartered at Nepean, Ontario, near Ottawa, BNR is Canada's largest R&D institution, public or private. Expenditures worldwide, including integration of the R&D organization of STC PLC, totalled US $834 million in 1991.

BNR employs some 8,000 people in Canada, the United States and the United Kingdom. Laboratories and offices are linked by one of the world's most advanced private telecommunications networks. During the year, BNR announced a new facility at Kichijoji, near Tokyo, to develop products for customers in the Asia/Pacific region.

Computers will in future recognize complex spoken commands, here shown as sound waves. Matthew Lennig, manager of BNR's speech recognition laboratory at Nuns' Island, Montreal, accepted Stentor's (Telecom Canada) research prize for this work.

NT Optoelectronics, in Paignton, England, won its third Queen's Award for Industry in 1991. Steve Gardner, principal product engineer, tests a laser transmitter for the next generation of submarine systems.



During 1992, BNR researchers will move into major new laboratory spaces. The $100 million Lab 5 in Ottawa will be finished in June 1992, and a new laboratory in Richardson, Texas, will be fully occupied by the same date. At Nuns' Island, Montreal, a new laboratory will increase space by some 60 per cent.

Al Crowle, John Peterson and David Graves, at Research Triangle Park, North Carolina, invented a "board-duster" to test electronic circuit boards produced without chlorofluorocarbons, which deplete the Earth's ozone layer.

Directions in product development

The recent trend with sophisticated products is, paradoxically, towards simplicity. Modern telecommunications, supported by powerful computers and highly refined software, are simplifying life for customers.

The new VISTA telephone terminal, for example, provides access to all Call Management Service features. Its display screen helps users access VISTA's features through "prompts," making instruction manuals unnecessary. The new S/DMS AccessNode permits upgrades or changes in switch functions from a central office, rather than on-site. Personal communications, a major new area of BNR research, will someday make "tethered telephoning" seem burdensome.

Breakthroughs are continuing in the cost and performance of key technologies such as computing, optoelectronics (laser technology), integrated circuits and digital signal processing. Functions of many network elements are integrated into fewer products, simplifying the infrastructure and dramatically cutting costs for installation, administration, maintenance and operations.

Fiber optics

Fiber optics have multiplied the information-carrying capacity of the network infrastructure.

FiberWorld products — S/DMS SuperNode, S/DMS AccessNode and S/DMS TransportNode — increase switching and transmission capacity 3,000-fold. The FiberWorld network infrastructure is controlled by software, which ensures easier introduction of new services, lower operating costs, greater reliability and more efficient network management.

The bidirectional ring structure of fiber optic network architecture, as compared with older point-to-point configuration, makes networks more reliable. In the event of a breakdown, traffic is immediately rerouted around the ring and the network "heals" itself in milliseconds.

Telecommunications companies are expected to upgrade gradually to cost-effective FiberWorld products. Even when connected to older equipment, FiberWorld improves network capacity and reliability.

Advanced intelligent network

Another element of the evolving technology is the advanced intelligent network architecture. This consists of a very fast signaling system (Common Channel Signaling System no. 7) and network databases. Any switch in the network can access the database instantaneously. Current applications of the intelligent network include Enhanced-800 service and nationwide automatic credit-card services.

Personal communication services (PCS)

PCS recognizes that people need to initiate and receive phone calls, faxes and other services wherever they happen to be. Through PCS, phone numbers are assigned to people, rather than to telephone sets, and the power of the network is used to transfer communications to wherever the person is. Although PCS is feasible on both wireline and wireless networks, it is most useful with pocket-size wireless phones that automatically inform the network of their location.

In combination, FiberWorld, the advanced intelligent network and PCS provide a powerful new technology platform for a new generation of advanced telecommunications services. In the near future, for example, people will set up full-colour videoconferences as easily as they place a phone call today.

Industry standards

BNR and Northern Telecom have played leading roles in promoting international industry standards that allow computers and products from many manufacturers to be linked into global networks. These standards include Integrated Services Digital Network (ISDN) and Synchronous Optical Network (SONET) for fiber optic systems.

Product development

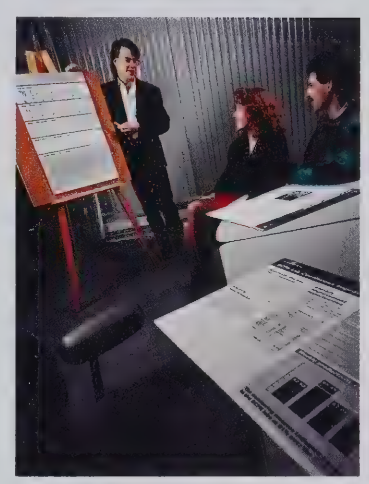
BNR is market-oriented, transforming leading-edge technology rapidly into high-quality products and services that meet customer needs.

For example, BNR in 1991 completed development of a SONET-compatible digital microwave radio system, less than two years after the SONET standard was created. The new product, to be marketed in 1992, can handle 44,000 simultaneous conversations, twice the capacity of previous long-haul systems. It is extremely cost-effective in delivering advanced voice, data and video services, especially over difficult terrain.

Education

BNR maintains close links with educational institutions to gain new ideas, to assist university faculty and to hire the best engineers and scientists.

In 1991, BNR hired more than 200 graduating Canadian university students, and provided part-time jobs for more than 800 students. In high schools, a pioneering project begun in 1986 brings students, teachers and R&D professionals together to encourage careers in science and engineering.



Researchers at BNR refer to "excellence storyboards" that outline initiatives which improve quality. Prominently displayed storyboards spread new ideas throughout the organization.

BCE Telecom International Inc., a wholly owned subsidiary, administers most of BCE's international operating and investment activities.

BELL CANADA INTERNATIONAL

Bell Canada International (BCI) is BCE's international telecommunications consulting arm. For more than 20 years, BCI has provided expertise to companies and governments abroad.

The expansion and modernization program in the Kingdom of Morocco, launched in 1988, provides for installation of 300,000 digital telephone lines. At the end of 1991, BCI had completed installation of Northern Telecom DMS-100 switching equipment in Casablanca, Marrakech and Safi, involving a total of 130,000 lines.

In October, BCI signed its first contract with PEMEX (Petroleos Mexicanos), which has Mexico's largest private telecommunications network and required a study of the economic viability of converting to a fully digital network. BCE Telecom and BCI are also participating in the establishment of cellular telephone networks in Mexico.

BCI Incorporated and its sister company, Protocol Telecommunications Services, Inc., headquartered in Chantilly, Virginia, provide a range of telecommunications services, notably packet networking, voice and radio transmission and telephone switching.

TELECOM INVESTMENTS

New Zealand

BCE holds a 25 per cent share in CLEAR Communications Limited, which provides competitive national and international telecommunications services in New Zealand. CLEAR began offering private line services in January 1991, then in May launched national and international long distance services.

BCE Telecom International Inc.

In Casablanca, Alfred Légaré of BCI, right, and Moutaouakkil Kebir, of the Moroccan National Post and Telecommunications Office, use a DISC surveillance and management system to monitor the switching network.

CLEAR Communications, of which BCE owns 25 per cent, offers competitive national and international telecommunications services through a fully digital network in New Zealand.

Videotron Corporation

BCE has a 30 per cent share in Videotron Corporation Limited, a British company which has 12 cable television and telecommunications franchises, primarily in greater London as well as Southampton. The potential market is some 1.2 million households. In early 1992, a $128 million financing was announced that will permit expansion of the cable network.

BCE telecommunications specialists are working with Videotron Corporation to install a public telecommunications network in Southampton and in West London. The city of Southwark has agreed to an initial contract to install a private telephone network.

Printing operations

BABN Technologies Inc. prints lottery tickets in Canada, the United States and, through a joint venture, Australia. In 1991, BABN won new contracts including a five-year contract with Loto-Québec and a new three-year contract with the Pennsylvania state lottery.

The Case-Hoyt Corporation of Rochester, New York, is a high quality commercial printer (*e.g.*, of this annual report). The company is consolidating its operations at one plant and has upgraded its printing equipment to reduce costs and to improve operating efficiencies.

Videotron Corporation has cable distribution franchises in the United Kingdom. It also provides other telecommunications services, including telephone networks.

BCE Directories group

BCE directory companies do business in Canada, the United States and overseas. In 1991, the net income of the BCE Directories group was $87 million, equivalent to $0.28 per BCE common share.

Tele-Direct (Publications) Inc., a wholly owned subsidiary with revenues of $505 million in 1991, provides directory services throughout Bell Canada's operating territory. Tele-Direct (Services) Inc. produced an additional $40 million of advertising revenues under contracts with 46 independent Canadian telecoms.

Tele-Direct Services Middle East Limited has joint venture agreements in the United Arab Emirates, Bahrain and Oman and in 1992 will publish Yellow Pages for Cairo and Alexandria, Egypt.

National Telephone Directory Corporation and Penn-Del Directory Corporation have exclusive long-term directory sales contracts with New Jersey Bell, Bell of Pennsylvania and the Diamond State Telephone Company of Delaware. 1991 U.S. advertising sales were US $550 million.

BCE is participating in Pacific Access, a joint venture to market and compile telephone directory advertising for all of Australia's Yellow Pages directories.

Companies of the BCE Directories group provide telephone directory services, including Yellow Pages, in Canada, the United States, the Middle East and Australia.

Mobile communications

An MSAT customer may be equipped with a voice data fax mobile terminal similar to this prototype. Targeted users include trucking and transportation companies, utilities and resource companies.

BCE Mobile Communications Inc., which holds BCE's Canadian mobile telecommunications interests, is at the forefront of this industry.

At year-end, BCE owned 65.5 per cent of BCE Mobile. In 1991, the BCE Mobile net loss was $19 million; in 1990, the net loss was $21 million. Results reflect a change in depreciation policy for pagers, which increased the loss in each year by some $1 million. BCE realized gains of $54 million in 1991 and $44 million in 1990 as a result of the issue of common shares by BCE Mobile to the public.

BCE Mobile revenues were $350 million in 1991, compared with $327 million in 1990, a seven per cent improvement. Cash flow per share was $0.86 in 1991, compared with $0.83 in 1990.

Bell Cellular

The Bell Cellular network is one of the world's largest: 209,000 square kilometres reaching from the Quebec/New Brunswick border to Windsor, Ontario. It covers some 90 per cent of the population of Ontario and Quebec. In addition, the CellNet Canada association of cellular companies provides coverage virtually coast-to-coast along the TransCanada Highway.

At year-end, Bell Cellular had 263,000 subscribers, up 26 per cent from last year, and the network handled on average some two million calls a day. The company spent some $120 million to expand and improve its network during the year.

Bell Cellular services contributed $288 million to BCE Mobile's consolidated revenues in 1991, a 19 per cent increase over $242 million in 1990.

Personal cordless telephones

BCE Mobile is pursuing digital cordless technology with a view to offering service once the federal Department of Communications announces government policy and standards, expected in 1992.

During the year, BCE Mobile completed field trials in Montreal, Toronto, Regina, Halifax and Edmonton. An extensive trial in Milton, Ontario, was supported by several other Canadian telecoms.

National Pagette

BCE Mobile's message management service provider, National Pagette, offers telephone answering and paging widely in Canada.

At year-end, 121,000 pagers were in service, compared with 111,000 last year. Figures are restated to reflect the 1991 sale of National Pagette's British Columbia operations.

Bell Radiocommunications

Bell Radio designs and markets private and shared radio systems in Quebec and Ontario. Contracts from government and major corporate clients declined due to the recession, but costs also fell, while a restructuring completed early in the year improved performance.

Skytel Communications

Skytel, a pioneer in air-to-ground telecommunications in Canada, is completing installation of the new Seatfone technology on most of the Air Canada fleet. Seatfones permit air-to-ground telephone calls to anywhere in the world from flights within North America.

Bell-Ardis

Bell-Ardis operates a trans-Canada mobile data radio network permitting real-time communication between a mobile or portable phone and a remote computer. In 1991, Bell-Ardis signed an agreement to provide services to IBM Canada's 1,100 field personnel.

BCE Mobile organized North America's most comprehensive trial of personal cordless telephone services, conducted at Milton, near Toronto.

Telesat Mobile Inc., in which BCE Mobile participates, will launch MSAT in 1994. MSAT will provide mobile voice and data services to customers outside the range of standard cellular systems.


MSAT


MONTREAL

BCE places debt and equity issues in Canadian and international markets and is involved, through subsidiaries, in pension fund management for its employees and in financial and trust services for the public.

BIMCOR

Bimcor, BCE's pension fund management subsidiary, manages funds exceeding $8 billion. These include pension assets of BCE, Bell Canada, Northern Telecom and certain other BCE subsidiaries.

MONTREAL TRUSTCO INC.

Total corporate assets of Montreal Trust at year-end were $12.5 billion compared with $12.4 billion in 1990. Assets under administration were $51.4 billion, up 19 per cent over $43.3 billion at the end of 1990.

Revenues were $1.5 billion, compared with $1.6 billion last year; net income was $42 million, compared with $65 million a year ago. Return on common equity was 6.9 per cent, compared with 13 per cent a year ago, and the return on assets was 0.33 per cent, compared with 0.55 per cent in 1990.

Profitability dropped in 1991 due largely to provisions on non-performing loans, and to the reversal of accrued but unpaid interest on all loans over 90 days in arrears.

In 1991, Montreal Trustco contributed $22 million ($0.07 per share) to BCE's consolidated earnings, compared with $44 million ($0.14 per share) in 1990.

Major business sectors:

- **Personal financial services** include savings and chequing accounts, personal loans, RRSPs, mutual funds, residential mortgages and personal trusts. Retail deposits and investment certificates increased 8.1 per cent to $8 billion in 1991. The residential mortgage portfolio, $4.2 billion at year-end, represents 33 per cent of assets.
- **Financial operations** include income property and corporate lending, representing some 29 per cent of assets, as well as government lending and treasury operations. In 1991, the portfolio grew 6.5 per cent to $3.6 billion.
- **Corporate services** deal with stock and bond transfer, employee benefits (including pension custody), corporate trust and structured investments. Acquisition of the corporate trust operations of Central Guaranty Trust further consolidates Montreal Trust's position as Canada's leading transfer agent and corporate trustee.
- **RoyNat** is Canada's largest private term lender specializing in small and medium-sized businesses, with assets of $1.9 billion at year-end. In 1991, RoyNat opened three branches in the United States.
- **Investment management services** are offered through two affiliates, Montrusco Associates Inc. in Montreal and M.T. Associates Investment Counsel Inc. in Toronto, which together manage $5.5 billion, up 14.6 per cent over 1990. Revenues increased 16.4 per cent to $13 million.
- **Real estate brokerage** operates in the greater Montreal area. Commissions declined to $25 million from $50 million in 1990 due to the 1990 sale of real estate operations outside Quebec.

Montreal Trust offers financial and trust services to individuals, businesses and organizations, concentrating on sectors where it has or can achieve a strong competitive position.

A Canada-wide network of retail branches and automated banking machines, linked by advanced telecommunications technology, supports Montreal Trust's commitment to leadership in client service

Net income

BCE's consolidated net income was $1,329 million in 1991, $1,147 million in 1990 and $761 million in 1989. After deducting preferred dividends, net income applicable to common shares was $1,235 million ($4.01 per common share) in 1991, $1,062 million ($3.50 per share) in 1990 and $724 million ($2.43 per share) in 1989.

In each of these three years, there were various gains and losses on investments which impacted the financial results. Gains resulted from sales of equity in BCE Mobile Communications Inc. and TransCanada PipeLines Limited (TCPL) and were reduced by provisions for Kinburn and SHL Systemhouse Inc. (SHL) and the 1989 loss of $440 million from discontinued real estate operations. In 1991, gains totalled $54 million; in 1990, losses totalled $80 million; and in 1989 a gain of $91 million, before the loss from discontinued real estate operations. Notes 3 and 6 of the Notes to consolidated financial statements provide additional details. Excluding these net gains and losses, income applicable to common shares would have been $1,181 million in 1991, $1,142 million in 1990 and $1,073 million in 1989.

Earnings per share are based on 307.6 million average common shares outstanding in 1991, an increase of 1.3 per cent over 303.8 million in 1990; the 1989 total was 297.5 million shares.

Contributions to BCE's net income

BCE's telecommunications subsidiaries increased both total operating revenues and net income in 1991 over 1990. This was achieved despite the weak economy, which resulted in a softening of demand for telecommunications services.

BCE's largest subsidiary, Bell Canada, increased its contribution to BCE's net income to $914 million for 1991 compared with $901 million for 1990 and $818 million for 1989.

Meanwhile, the contribution from Northern Telecom increased by 10.7 per cent, to $299 million in 1991 from $270 million in 1990 and $220 million in 1989.

TCPL contributed $41 million in 1991 compared with $66 million in both 1990 and 1989. The reduced 1991 contribution reflects the reduction in BCE's ownership position to 21.9 per cent at December 31, 1991, compared with 49 per cent prior to October 1, 1990.

Montreal Trustco Inc. contributed $22 million in 1991 compared with $44 million in 1990 and $37 million for the eight months after its acquisition in April 1989.

Telecommunications services

Operating revenues of Bell Canada and other BCE telecommunications operating subsidiaries increased by $129 million, or 1.5 per cent, to $8,597 million in 1991. In 1990, operating revenues totalled $8,468 million, a 5.7 per cent increase of $457 million over the revenues for 1989.

Operating revenues increased in 1991 partly because local and access services revenues rose by $158 million or 6.1 per cent. This improvement was due mainly to the growth in number and value of network access services and to higher volumes of service options and features. Slower growth in 1991 compared with 1990 reflects the weak economy.

Network access services (thousands)

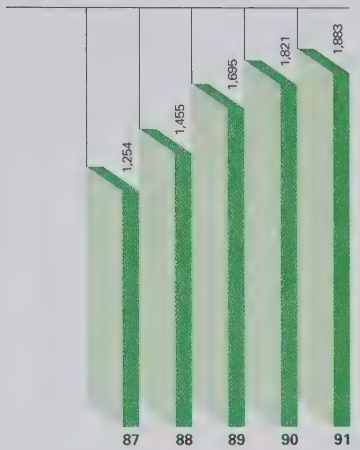
The telecommunications services companies' largest source of revenues, toll and network services, decreased by $34 million or 0.8 per cent in 1991 compared with 1990. This was due to the weak economy; increasing revenue losses from resale and sharing of private line services by resellers as allowed by the Canadian Radio-television and Telecommunications Commission (CRTC) in its March 1990 decision; and long distance rate reductions implemented by Bell Canada in late 1990 amounting to $70 million in 1991. By comparison, toll and network services revenues rose by $190 million or 4.8 per cent, in 1990 and by $400 million or 11.4 per cent, in 1989.

The number of message toll services (MTS) increased by 3.4 per cent in 1991, the slowest pace since the recession in 1982. MTS messages increased by 7.4 per cent in 1990, and by 16.5 per cent in 1989.

Operating expenses of the telecommunications services companies increased by only $48 million or 0.8 per cent in 1991 compared with an increase of $308 million or 5.2 per cent in 1990, and $722 million or 13.7 per cent, in 1989. Among other things, this positive trend reflects productivity gains and continued considerable efforts by Bell Canada and its employees to control costs, as well as lower growth in demand for telecommunications services.

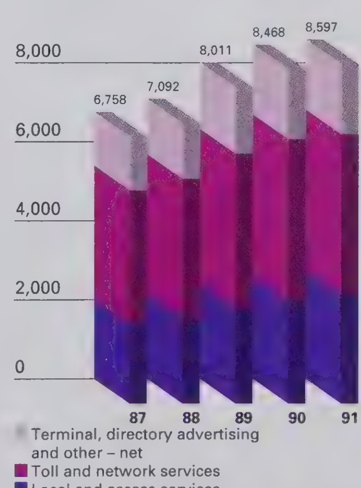
In 1991 and 1990, depreciation expense increased due to higher average depreciable plant and equipment balances. Salaries and wages decreased slightly, in 1991 over 1990 due to Bell Canada's inducements for early retirement in the first quarters of 1990 and 1991, which reduced the workforce by about 1,300 and 1,600 employees, respectively. The decrease was partly offset by wage and salary increases.

Message Toll Services (millions)



Net revenues from telecommunications services in 1991 rose to $2,265 million from $2,184 million in 1990. In 1989, net revenues had stood at $2,035 million.

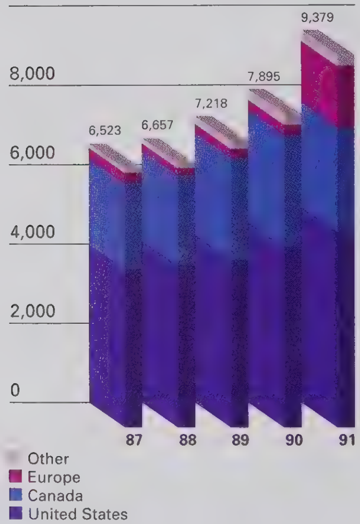
Telecommunications services – Revenues ($ millions)



Telecommunications equipment manufacturing

Northern Telecom's 1991 revenues were $9,343 million, climbing 19.0 per cent from $7,851 million in 1990, which was an improvement of 9.6 per cent over $7,161 million in 1989. **(Although Northern Telecom reports its results in U.S. dollars, they are presented here in Canadian dollars, except where otherwise noted.)** 1991 revenues increased due to the consolidation of STC PLC (STC) (since renamed STC Limited) effective March 1, 1991. STC contributed revenues in each of Northern Telecom's product lines and volume gains, partially offset by price reductions. The increase in 1990 revenues was attributable to volume growth which more than offset price reductions in most product lines and markets.

NTL revenues by geographic areas
($ millions)



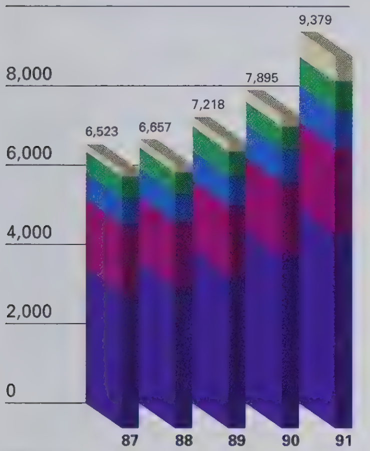
Revenues from Northern Telecom's United States operations were $4.97 billion (53 per cent of total revenues) up 8.3 per cent from $4.59 billion (58 per cent of total) in 1990, compared with $4.27 billion (59 per cent of total) in the preceding year. Revenue growth in 1991 and 1990 resulted mainly from higher sales to telecommunications operating companies and to inter-exchange carriers.

Canadian revenues in 1991 decreased 6.7 per cent to $2.64 billion (28 per cent of total revenues) from $2.83 billion (36 per cent of total) in 1990 and $2.57 billion (36 per cent of total) in 1989. Effective January 1, 1991, the Canadian Federal Sales Tax (FST), which prior to 1991 was included in revenues, was replaced by the Goods and Services Tax, which is not included in revenues. The decrease in 1991 revenues was primarily due to the elimination of FST and the weak Canadian economy. Northern Telecom's revenue growth in Canada for 1990 came mainly from increased sales to telecommunications operating companies.

European revenues (including Africa, the Commonwealth of Independent States and the Middle East) were $1.54 billion (17 per cent of total) in 1991, up 503 per cent from $256 million (three per cent of total) in 1990 compared with $228 million (three per cent of total) in 1989. The increase in 1991 revenues was due to the consolidation of STC, along with strong growth in the European market. The increase in 1990 revenues was due to higher demand for Northern Telecom's products.

Revenues from other international operations, were $225 million (two per cent of total) in 1991 compared with $220 million (three per cent of total) in 1990, and $147 million (two per cent of total) in 1989. The 1991 and 1990 revenue increases were the result of higher demand for Northern Telecom's products.

NTL revenues by product lines ($ millions)



All product lines posted higher revenues in 1991; in 1990, revenues increased in all product lines except for cable and outside plant products.

Central office switching revenues were $4.91 billion, up 12.9 per cent from 1990 revenues of $4.35 billion, which had increased 13 per cent from the 1989 level of $3.85 billion. These increases were due to higher demand for Northern Telecom's products in all markets.

Revenues from business communications systems and terminals increased to $2.18 billion, up 17.8 per cent over $1.85 billion in 1990, which was 5.1 per cent higher than $1.76 billion in 1989. The 1991 gains were attributable to increased shipments in Europe and other international markets, and the United States, despite strong competition. Revenues in Canada were flat due to the elimination of FST.

Transmission revenues were $917 million in 1991, up 10.1 per cent over $833 million in 1990, which was an increase of 11.5 per cent over $747 million in 1989. Growth in 1991 was due to the increase in revenues from Europe, partially offset by a decline in revenues in North America resulting from weak economies and customer anticipation of new products currently under development.

Revenues for Northern Telecom's other products, including cable and outside plant, totalled $1,370 million in 1991. Revenues were $864 million for 1990 and $857 million in 1989.

Northern Telecom's gross profit margin was 42.0 per cent in 1991 compared with 40.0 per cent in 1990 and 39.4 per cent in 1989. The 1991 increase in gross margin was due to higher gross margins from central office switching equipment and business communications systems and terminals product lines and the favourable impact on margins from the elimination of FST from revenues and costs of revenues, partially offset by lower margins in the cable and outside plant and transmission product lines.

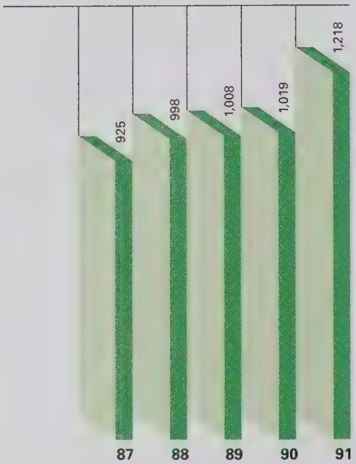
Selling, general and administrative (SG&A) expenses

SG&A expenses in 1991 of $1,876 million (20.1 per cent of total revenues) increased 28.9 per cent compared with $1,455 million (18.5 per cent of total) in 1990 and $1,335 million (18.6 per cent of total) in 1989. The increase in 1991 expenditures was due to the consolidation of STC and planned growth in the worldwide sales and marketing organizations, while the increase as a percentage of revenues in 1991 was due to increased expenditures and the elimination of FST. The decrease in 1990 and 1989 expenditures as a percentage of revenues were a result of initiatives to improve efficiency.

Orders on hand

Northern Telecom's orders on hand at December 31, 1991, were up 42 per cent to US $3.02 billion compared with US $2.13 billion at year-end 1990 and US $1.88 billion at year-end 1989. The increased orders on hand are attributable principally to the consolidation of STC. Most orders are for delivery in 1992.

Consolidated R & D expenditures
($ millions)



R&D investments

Northern Telecom R&D investment in 1991 was $1,086 million (11.6 per cent of total revenues) compared with $902 million (11.5 per cent of total) in 1990 and with $863 million (12.1 per cent of total) in 1989. The level of investment in all three years reflected programs for new products, process development and advanced capabilities and services for a broad array of existing products.

Other BCE companies also made significant investments in research and development. Consolidated research and development expenditures, including Northern Telecom's net R&D investment, totalled $1,218 million in 1991. This compares with $1,019 million in 1990 and $1,008 million in 1989.

Financial services

Montreal Trustco reported net income of $42 million in 1991 compared with $65 million in 1990 and $71 million in 1989. In 1991, income was adversely affected by $35 million of unaccrued interest on loans, up $20 million from 1990 due to the continued weak economy and a higher level of non-performing loans. Loan loss provisions increased $13 million over 1990. Net income in 1990 declined from 1989 primarily due to increased losses from real estate brokerage operations of $11 million and one-time costs associated with the sale of such operations outside of Quebec.

Other operations

Other operations include international operations; directory services; printing and publishing and other activities. Net revenues were $21 million in 1991 compared with $27 million in 1990 and $18 million in 1989. The decrease in 1991 over 1990 is mainly due to international activities.

Associated companies

In addition to its subsidiaries, BCE holds investments in several associated companies.

The equity in net income from those enterprises was $103 million in 1991, lower than the $155 million reported in 1990 and the $173 million reported in 1989. The decrease in 1991 over 1990 is due to the consolidation of STC from March 1, 1991, and BCE's reduced equity ownership in TCPL. STC was consolidated in 1991 while in 1990 it was included in the equity in net income of associated companies.

Providing against loans to Kinburn in 1990

In April 1990, Kinburn defaulted on loans from BCE and other creditors. BCE's loans were secured in part by common shares of SHL, a Kinburn subsidiary. BCE also owns other shares in SHL.

In 1990, BCE wrote down the loans and the value of its SHL shares by $357 million, for an after-tax net provision of $244 million. Consequently, the SHL shares and the Kinburn loans together have been carried at $63 million since the third quarter of 1990.

Real estate operations

As described in note 3 of the Notes to consolidated financial statements, BCE in 1989 discontinued its commercial real estate operations and wrote off its entire common share investment in BCE Development Corporation, renamed BF Realty Holdings Limited (BF Realty), resulting in a discontinued operating loss of $440 million.

At December 31, 1991, BCE had direct and indirect investments in BF Realty and in its principal subsidiary, Brookfield Development Corporation, comprised of loans, preferred shares and convertible debentures totalling $499 million compared with $442 million and with $225 million at December 31, 1990 and 1989, respectively.

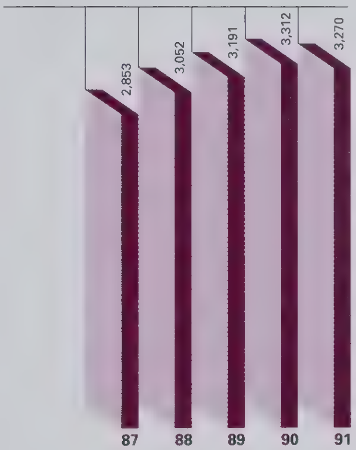
As also mentioned in note 3, BCE is not required to provide any financial support to BF Realty and its subsidiaries in excess of a $350 million commitment, of which $349 million was advanced at December 31, 1991 and is included in BCE total investment of $499 million outlined above.

LIQUIDITY AND CAPITAL RESOURCES

The principal requirement for funds is for capital expenditures and investments.

BCE's consolidated net capital expenditures totalled $3,270 million in 1991, a decrease of 1.3 per cent over the $3,312 million invested in 1990. Expenditures in 1989 totalled $3,191 million. Most of these expenditures were made by Bell Canada and Northern Telecom.

Net capital expenditures ($ millions)



BCE Inc.

During 1991, BCE raised $202 million of common equity by means of the Dividend Reinvestment and Stock Purchase Plan and the Employees' Savings Plan.

BCE received $309 million in 1991 as the second instalment payment from the 1990 sale of TCPL units which consisted of 37,500,000 TCPL common shares and warrants to purchase a further 37,500,000 TCPL common shares from BCE. The warrants expire in December 1992 and are expected to generate additional proceeds of $656 million, if fully exercised. BCE also issued in Europe $250 million of 10⅜% Notes, due 1996.

During 1991, BCE invested $100 million in common shares of Bell Canada and $50 million in common shares of Montreal Trustco. BCE also advanced funds of $61 million to BF Realty pursuant to the agreement referred to in note 3. BCE's net short-term borrowings amounted to $519 million at December 31, 1991, compared with $970 million at December 31, 1990.

During 1990, BCE raised $126 million of common equity through its Dividend Reinvestment and Stock Purchase Plan. The corporation raised another $417.5 million by issuing units comprised of preferred shares and common share purchase warrants. The preferred shares generated $379 million and the common share purchase warrants $38.5 million. BCE invested $300 million in common shares of Bell Canada. It also repaid $150 million of its maturing notes, issued in 1985. In July 1990, BCE received $99 million from the sale of Encor common shares and of warrants to purchase from BCE further Encor common shares.

LIQUIDITY AND CAPITAL RESOURCES

BCE Inc.

(continued)

On October 1, 1990, BCE also received $328.1 million from the sale of one-half of its 48.8 per cent ownership of TCPL. This was the first of two payments.

In 1992, BCE will support the equity requirements of its continuing operations and monitor opportunities to refinance its net short-term borrowings. In the absence of any refinancing, a material change is not anticipated in the level of short-term borrowings at year-end.

Bell Canada

At Bell Canada, gross capital expenditures decreased slightly. They were $2,295 million in 1991 compared with $2,343 million in 1990 and $2,331 million in 1989.

Bell Canada expects to reduce its 1992 capital expenditure program by approximately five per cent to $2,180 million. This modest decrease is primarily due to the reduction in funding of the switching equipment modernization program as a result of the advancement of $72 million of capital expenditures to 1991 and to lower growth in demand.

Bell Canada's cash requirements in 1992 will be met by internally generated funds except for the repayment of long-term debt, of which $295 million will mature during the year (including $128 million of early redemption), and for a portion of capital expenditures. External funds requirements of some $575 million will be met through the offering of debt and the issue of additional common shares to BCE.

In 1991, Bell Canada obtained funds from external sources through the private issue in Canada of $135 million of preferred shares, the private issue in Canada of $275 million of debentures, the issue in Europe of $150 million of debentures and the sale of approximately $100 million of accounts receivable.

In 1990, Bell Canada obtained external funds by making a private placement in Canada of $125 million of preferred shares, by the public issue in Canada of $250 million of debentures and by the public issue in Europe of $125 million of debentures and the sale of approximately $250 million of accounts receivable.

Northern Telecom

Northern Telecom's capital expenditures were $590 million, an increase of 14.6 per cent from $515 million in 1990, and $436 million in 1989. In 1992, Northern Telecom expects its capital spending to be approximately 10 per cent higher than in 1991. Northern Telecom expects to meet its cash requirements including cash required to fund retractions of preferred shares,if any, from operations. This will be complemented, if necessary, by external financing.

As mentioned in note 2, Northern Telecom acquired in 1991 all the ordinary shares of STC that it did not already own. The amount of Northern Telecom's offer for the STC shares was equivalent to approximately $3,001 million. Northern Telecom financed the acquisition by drawing down funds from new bank facilities, which were repaid on June 13, 1991, with proceeds from the issue of an aggregate of US $500 million in notes, from the disposition of divisions of STC and from additional short-term borrowings.

In addition to funds from the divestitures of five non-strategic divisions of STC, $254 million was also provided in 1991 from the revolving sale of accounts receivable under receivables securitization programs.

Consolidated financial statements

Management's responsibility for financial statements

The accompanying consolidated financial statements of BCE Inc. and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

The management of the corporation and its subsidiaries, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes the internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies which govern ethical business conduct.

The board of directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the corporation's annual consolidated financial statements and recommends their approval by the board of directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

These financial statements have been audited by the shareholders' auditors, Deloitte & Touche, chartered accountants, and their report is presented below.

Douglas B. Gibson
Vice-President and Comptroller

Auditors' report

To the Shareholders of BCE Inc.

We have audited the consolidated balance sheets of BCE Inc. and its subsidiaries as at December 31, 1991 and 1990, and the consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1991. These consolidated financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1991 and 1990, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1991, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche
Chartered Accountants

Montreal, Quebec
February 12, 1992

Consolidated income statement

	For the years ended December 31	1991	($ millions) 1990	1989
Total revenues		**19,884**	18,373	16,681
Telecommunications services	Operating revenues	**8,597**	8,468	8,011
	Operating expenses	**6,332**	6,284	5,976
	Net revenues — telecommunications services	**2,265**	2,184	2,035
Telecommunications equipment manufacturing	Revenues (note 1)	**9,343**	7,851	7,161
	Cost of revenues	**5,420**	4,707	4,340
	Selling, general, administrative and other expenses	**2,962**	2,357	2,198
		8,382	7,064	6,538
	Net revenues — telecommunications equipment manufacturing	**961**	787	623
Financial services	Revenues — investment and loan income	**1,325**	1,387	851
	— fees and commissions	**162**	188	134
		1,487	1,575	985
	Less: interest expenses	**1,141**	1,208	730
	operating expenses	**311**	306	197
		1,452	1,514	927
	Net revenues — financial services	**35**	61	58
Other operations	Operating revenues	**457**	479	524
	Operating expenses	**436**	452	506
	Net revenues — other operations	**21**	27	18
	Total net revenues	**3,282**	3,059	2,734
Other income (expense)	Equity in net income of associated companies (note 4)	**103**	155	173
	Allowance for funds used during construction	**33**	41	39
	Interest — long-term debt	**(860)**	(730)	(661)
	— other debt	**(206)**	(222)	(208)
	Unrealized foreign currency gains (losses) (notes 1 and 21)	**2**	(3)	2
	Miscellaneous — net (note 6)	**151**	(176)	156
		(777)	(935)	(499)
	Income before income taxes and minority interest	**2,505**	2,124	2,235
	Income taxes (note 7)	**803**	628	733
	Income before minority interest	**1,702**	1,496	1,502
	Minority interest	**373**	349	301
	Income from continuing operations	**1,329**	1,147	1,201
	Loss from discontinued real estate operations (note 3)	**—**	—	(440)
	Net income (note 21)	**1,329**	1,147	761
	Dividends on preferred shares	**94**	85	37
	Net income applicable to common shares	**1,235**	1,062	724
Earnings per share	Continuing operations	**4.01**	3.50	3.91
	Discontinued real estate operations (loss)	**—**	—	(1.48)
	Earnings per common share (notes 1 and 21)	**4.01**	3.50	2.43
	Dividends declared per common share	**2.57**	2.53	2.49
	Average number of common shares outstanding (thousands)	**307,649**	303,813	297,508

The important differences between Canadian and United States generally accepted accounting principles affecting the consolidated income statement are described and reconciled in note 21.

Consolidated balance sheet

Assets

	At December 31	1991 ($ millions)	1990
Current assets	Cash and temporary cash investments	**323**	308
	Accounts receivable (note 8)	**3,932**	3,930
	Inventories (note 10)	**1,066**	1,043
	Other (principally prepaid expenses)	**545**	480
		5,866	5,761
Financial services	Short-term securities	**820**	1,028
	Loans receivable (note 11-a)	**9,648**	9,442
	Bonds, stocks and other investments (note 11-b)	**1,738**	1,493
		12,206	11,963
Investments	Associated companies (at equity) (notes 1 and 4)	**1,255**	2,338
	Other investments (note 5)	**991**	948
		2,246	3,286
Property, plant and equipment	At cost (note 12)	**31,520**	29,087
	Less: accumulated depreciation	**11,469**	10,513
		20,051	18,574
Other assets	Long-term notes and receivables	**1,269**	1,333
	Deferred charges		
	— unrealized foreign currency losses, less amortization	**6**	15
	— other	**814**	373
	Cost of shares in subsidiaries in excess of underlying net assets, less amortization (note 1)	**3,246**	682
		5,335	2,403
	Total assets	**45,704**	41,987

On behalf of the Board of Directors:

Marcel Bélanger
Director

Louise B. Vaillancourt
Director

Liabilities and shareholders' equity

	At December 31	1991 ($ millions)	1990
Current liabilities	Accounts payable	**4,180**	2,659
	Advance billing and payments	**175**	183
	Dividends payable	**239**	217
	Taxes accrued	**196**	180
	Interest accrued	**244**	297
	Debt due within one year (note 13)	**2,247**	1,878
		7,281	5,414
Financial services	Demand deposits (note 11-c)	**1,189**	1,071
	Investment certificates and borrowings (note 11-c)	**10,711**	10,655
		11,900	11,726
Long-term debt	Long-term debt (note 14)	**7,971**	7,431
Deferred credits	Income taxes	**2,297**	2,425
	Other	**547**	389
		2,844	2,814
Minority interest in subsidiary companies	Preferred shares	**1,446**	1,309
	Common shares	**2,303**	1,968
		3,749	3,277
Preferred shares	Preferred shares (note 15) (Includes $579 million redeemable at option of holders, not before 1995)	**1,232**	1,235
Common shareholders' equity	Common shares (note 16)	**5,614**	5,407
	Common share purchase warrants (note 17)	**39**	39
	Contributed surplus	**1,034**	1,034
	Retained earnings	**4,165**	3,727
	Foreign exchange adjustment (note 18)	**(125)**	(117)
		10,727	10,090
Commitments and contingent liabilities (note 9)			
	Total liabilities and shareholders' equity	**45,704**	41,987

Douglas B. Gibson
Vice-President and Comptroller

Consolidated statement of changes in financial position

For the years ended December 31	1991	($ millions) 1990	1989
Cash and temporary cash investments were provided from (used for)			
Operations	**4,933**	3,481	2,774
Investments	**(5,258)**	(4,173)	(5,059)
Financing	**1,383**	1,870	3,332
Dividends declared	**(1,043)**	(1,011)	(919)
Increase in cash and temporary cash investments	**15**	167	128
Cash and temporary cash investments at beginning of year	**308**	141	13
Cash and temporary cash investments at end of year	**323**	308	141
Cash provided from (used for) operations			
Income from continuing operations	**1,329**	1,147	1,201
Items not affecting cash			
Depreciation	**2,219**	2,018	1,813
Minority interest	**373**	349	301
Deferred income taxes	**26**	70	88
Equity in net income of associated companies in excess of dividends received	**(5)**	(49)	(69)
Allowance for funds used during construction	**(33)**	(41)	(39)
Other items	**(46)**	68	(74)
Changes in working capital other than cash and debt			
(Increase) decrease in current assets:			
Accounts receivable	**(2)**	(319)	(463)
Inventories	**(23)**	57	(29)
Other current assets	**(65)**	(17)	(123)
Income and other taxes receivable	**—**	—	103
Increase (decrease) in current liabilities:			
Accounts payable	**1,183**	158	83
Advance billing and payments	**(8)**	21	(269)
Dividends payable	**22**	2	6
Taxes accrued	**16**	11	166
Interest accrued	**(53)**	6	79
Net cash provided from operations	**4,933**	3,481	2,774
Cash provided from (used for) investments			
Capital expenditures (net)	**(3,270)**	(3,312)	(3,191)
Investments — acquisition of STC Limited (net of cash acquired of $1,284) (note 2)	**(1,717)**	—	—
— proceeds on disposal of businesses of STC Limited (note 2)	**407**	—	—
— acquisition of Montreal Trustco Inc.	**—**	—	(874)
— other	**(162)**	(372)	(526)
Sales of investments in TCPL and Encor (notes 4-a and 5)	**—**	710	—
Long-term notes and receivables	**58**	(29)	6
Net securities and loans — Financial services			
Short-term securities	**208**	(92)	313
Loans receivable	**(206)**	(1,093)	(661)
Bonds, stocks and other investments	**(245)**	(36)	(275)
Other items	**(331)**	51	149
Net cash used for investments	**(5,258)**	(4,173)	(5,059)

Consolidated statement of changes in financial position
(continued)

For the years ended December 31	1991	($ millions) 1990	1989
Cash provided from (used for) financing			
Addition to long-term debt	**3,105**	656	1,233
Reduction of long-term debt	**(1,966)**	(372)	(239)
Issues of preferred shares	**—**	371	847
Issues of common shares			
Acquisition of Montreal Trustco Inc.	**—**	—	336
Other issues	**202**	126	132
Issues of preferred and common shares by subsidiaries to minority shareholders	**310**	236	463
Redemption of preferred shares by subsidiaries	**(10)**	(79)	(51)
Notes payable and bank advances	**(285)**	(358)	61
Net deposits and borrowings — Financial services			
Demand deposits	**118**	30	80
Investment certificates and borrowings	**56**	1,296	560
Other items	**(147)**	(36)	(90)
Net cash provided from financing	**1,383**	1,870	3,332
Dividends declared			
By BCE Inc.			
Preferred shares	**(94)**	(85)	(37)
Common shares	**(791)**	(769)	(743)
By subsidiaries to minority shareholders	**(158)**	(157)	(139)
Total dividends declared	**(1,043)**	(1,011)	(919)

Consolidated statement of retained earnings

For the years ended December 31	1991	($ millions) 1990	1989
Balance at beginning of year	**3,727**	3,448	3,477
Net income	**1,329**	1,147	761
	5,056	4,595	4,238
Deduct:			
Dividends			
Preferred shares	**94**	85	37
Common shares	**791**	769	743
	885	854	780
Costs related to issuance and redemption of share capital of BCE Inc. and of subsidiaries	**6**	14	10
	891	868	790
Balance at end of year	**4,165**	3,727	3,448

1. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all figures are in Canadian dollars. These statements conform in all material respects with International Accounting Standards. Certain previously reported figures have been reclassified to conform with the current presentation.

With respect to the consolidated financial statements of BCE, the important differences between Canadian and United States generally accepted accounting principles are described and reconciled in note 21.

Consolidation

The consolidated financial statements include the accounts of all majority-owned subsidiaries, either direct or indirect, with the exception of BF Realty Holdings Limited (BF Realty), formerly BCE Development Corporation (see note 3). The investments in associated companies (20% to 50% owned) are accounted for by the equity method. Under this accounting method, BCE's proportional share of income of such companies, from the dates of their acquisition, net of amortization of excess purchase price over net assets acquired, is taken into income and added to the cost of investments. Income received from these companies reduces the carrying amounts of the investments.

At December 31, 1991, the direct and indirect subsidiaries of BCE (100% owned, unless otherwise indicated) included Bell Canada, Northern Telecom Limited (Northern Telecom) (52.8%), Montreal Trustco Inc. (acquired in the second quarter of 1989) and BCE Mobile Communications Inc. (65.5%).

The excess of cost of shares over acquired equity (goodwill) of subsidiary and associated companies is being amortized to earnings on a straight-line basis over periods up to principally 40 years. The amortization amounted to $91 million in 1991 (1990 — $68 million, 1989 — $59 million).

Telecommunications equipment purchased by Bell Canada and the other telecommunications subsidiaries of BCE, from Northern Telecom and its subsidiaries, is reflected in BCE's consolidated balance sheets at the cost to the purchasing companies, and is included in telecommunications equipment manufacturing revenues in the consolidated income statement. To the extent that any income related to these revenues, and those from associated companies, has not been offset by depreciation or other operating expenses, it remains in consolidated retained earnings and consolidated income. This practice is generally followed with respect to activities of regulated industries. All other significant intercompany transactions have been eliminated in the consolidated financial statements.

Telecommunications equipment manufacturing revenues comprise:

	($ millions)		
	1991	1990	1989
a) revenues from			
Bell Canada	**1,356**	1,477	1,495
other telecommunications subsidiary and associated companies of BCE	**198**	266	238
b) revenues from others	**7,789**	6,108	5,428
Total	**9,343**	7,851	7,161

1. Accounting policies
(continued)

Depreciation

Depreciation is generally computed using the straight-line method, with rates based on the estimated useful lives of the assets.

Research and development

All research and development costs incurred, which amounted to $1,218 million (1990 — $1,019 million, 1989 — $1,008 million), are charged to income.

Financial services

— Investments

Debt securities and preferred shares with fixed maturity dates are stated at amortized cost plus accrued interest and dividends. Other securities are stated at cost. Amounts are reduced by an allowance, where appropriate, for permanent impairment in value.

— Loans

Mortgages and Corporate and commercial loans are stated at cost which includes amounts advanced and interest accrued less repayments and an allowance for loan losses. Interest is accrued as earned unless the loan is classified as non-accrual. Non-accrual loans are those on which a payment is contractually 90 days in arrears or earlier where there is reasonable doubt concerning ultimate collectibility of principal or interest. When a loan is classified as non-accrual all previously accrued but uncollected interest is reversed against income. Interest subsequently received on non-accrual loans is either applied against principal or reported as income, according to management's judgement as to the collectibility of principal.

— Allowance for loan losses

The allowance for loan losses consists of both specific and general provisions. Specific provisions are those identified with specific loans and which are necessary, in the opinion of management, to reflect the estimated realizable value of the particular loan. General provisions are those, in addition to specific provisions, which cannot be identified with specific loans but which management believes are prudent to recognize in light of general economic factors, geographic and industry exposure.

— Assets under administration

Assets under administration by Montreal Trustco Inc. include estates and personal trusts, pension fund assets and other amounts held or managed on behalf of others. Such assets are maintained separately and are not included in the consolidated balance sheet.

Translation of foreign currencies

Foreign operations are classified as integrated or self-sustaining.

— Integrated foreign operations and transactions denominated in foreign currencies

Current assets (excluding inventories and prepaid expenses), current liabilities and long-term monetary assets and liabilities are translated at the rates in effect at the balance sheet date, whereas other assets and other liabilities are translated at rates prevailing at the respective transaction dates; revenues and expenses are translated at average rates prevailing during the year, except for cost of inventory used, depreciation and amortization, which are translated at exchange rates prevailing when the related assets were manufactured or acquired. Currency gains and losses are reflected in net income of the year, except for unrealized foreign currency gains and losses on long-term monetary assets and liabilities, which are reported as a deferred charge and amortized over the remaining lives of the related items on a straight-line basis.

— Self-sustaining foreign operations

Assets and liabilities denominated in a foreign currency are translated in Canadian dollars, at exchange rates in effect at the balance sheet date. The resulting gains or losses are accumulated in a separate component of shareholders' equity. Revenue and expense items are translated at average exchange rates prevailing during the year.

1. Accounting policies
(continued)

Leases

Leases are classified as capital or operating leases. When the corporation is the lessor, rental revenue from operating leases is recognized as service is provided to customers. For leases which qualify as sales-type leases, the sales revenue is recorded at the inception of the lease. When the corporation is the lessee, assets recorded under capital leases are amortized on a straight-line method, using rates based on the estimated useful life of the asset or based on the lease term as appropriate. Obligations recorded under the capital leases are reduced by rental payments net of imputed interest.

Inventories

Inventories are valued at the lower of cost (calculated generally on a first-in, first-out basis) or net realizable value. The cost of finished goods and work-in-process inventories is comprised of material, labour and manufacturing overhead.

Allowance for funds used during construction

Regulatory authorities require telecommunications companies to provide for a return on capital invested in new plant while under construction, by including an allowance for funds used during construction as an item of income during the construction period, and also as an addition to the cost of plant constructed. Such income is not realized in cash currently but will be realized over the service life of the plant.

Income taxes

BCE and its subsidiaries use the tax allocation basis of accounting for income taxes. The corporation provides for income taxes based on accounting income for tax purposes included in the financial statements, regardless of when such income is subject to taxes under tax laws. The difference between taxes payable and taxes accrued is accounted for under Deferred credits — Income taxes on consolidated balance sheets.

In July 1989, the Canadian Radio-television and Telecommunications Commission (CRTC) directed federally regulated carriers (which include Bell Canada and Northwestel Inc.) that their deferred credits — income taxes be adjusted to reflect the reduced combined statutory corporate income tax rate in effect on January 1, 1989, and that the resulting adjustment of $293 million ($290 million applicable to Bell Canada) be amortized as a reduction to income tax expense over a five-year period commencing in October 1989. The unamortized tax adjustment remains in deferred credits — income taxes. Adjustments to the deferred credits — income taxes, resulting from subsequent minor changes to income tax rates, will be taken into income in the year in which the changes occur. A longer amortization period will be considered by the CRTC if any subsequent adjustment to the deferred credits — income taxes has a significant impact on the rates of return on equity of these companies.

Investment tax credits reduce the provision for income taxes in the same periods in which the related expenditures are charged to earnings.

Earnings per common share

Earnings per common share are based on the weighted average number of shares outstanding and are calculated after deducting dividends on preferred shares. The dilutive effect on the BCE earnings per share, after the assumed exercise of warrants, conversion of convertible preferred shares and exercise of options, is insignificant.

2. Acquisition by Northern Telecom of STC PLC

On March 5, 1991, Northern Telecom completed the acquisition of the remaining outstanding ordinary shares (approximately 73 per cent) of STC PLC (STC), a company incorporated under the laws of England, since renamed STC Limited. The aggregate purchase cost was $3,001 million and was financed by new multi-year bank facilities. The acquisition has been accounted for as a purchase and the consolidated income statement includes 27 per cent of STC's net earnings from January 1, 1991 through February 28, 1991, and consolidation of STC's results thereafter. During 1991, Northern Telecom sold the Distributors Division, the Land Cable Products Division, the Electronics Distribution Division and two smaller divisions of STC. No gain or loss was recorded on the disposals, as these amounts were included in the determination of goodwill.

The cost of acquisition has been assigned to the assets acquired ($2,701 million) and liabilities assumed ($1,824 million), based on their fair values at the date of acquisition. The excess of the cost of acquisition ($2,124 million) over the fair value amounts assigned to the 73 per cent of STC's assets acquired and liabilities assumed has been recognized as goodwill and, including the net amount from the original acquisition of 27 per cent of STC, is amortized on a straight-line basis over 40 years.

The following BCE pro forma consolidated results reflect the purchase of STC as though it had occurred at the beginning of each year and the divested businesses as though they were consolidated for the same periods in 1990 as in 1991. Pro forma consolidated results for the years ended December 31, 1991 and 1990 were total revenues of $20,144 million and $19,749 million, telecommunications equipment manufacturing revenues of $9,603 million and $9,227 million, net income applicable to common shares of $1,213 million and $993 million and earnings per common share of $3.94 and $3.27, respectively. These pro forma results, which are net of applicable interest and goodwill amortization, are based on average exchange rates in effect during the respective periods. The pro forma financial information does not include the financial impact of efficiencies which are being realized between the businesses of Northern Telecom and STC. The pro forma financial information does not purport to represent what BCE's consolidated results would have been had the acquisition occurred on such dates, or to project BCE's consolidated results for any future period.

3. Real estate operations

Effective from December 31, 1989, BCE ceased carrying on commercial real estate operations and its common share investment in BF Realty was fully written off in 1989. Therefore, BF Realty is reflected as a discontinued operation in BCE's financial statements and no further losses relating to the common shareholders of BF Realty are being reflected in the financial results of BCE.

In January of 1990, BCE entered into an agreement with Carena Developments Limited (Carena) to facilitate the implementation of a restructuring of BF Realty. The agreement as amended calls for total funds to be provided by BCE and Carena of up to a principal amount of $350 million each. Under this agreement, approximately $349 million was advanced by BCE as at December 31, 1991 ($288 million as at December 31, 1990). These advances, together with BCE's other direct and indirect investments in BF Realty and its principal subsidiary, Brookfield Development Corporation (Brookfield), amounted to $499 million as at December 31, 1991 (1990 — $442 million), and are included under Other investments in BCE's consolidated balance sheet. BCE is not required to provide any further financial support to BF Realty and its subsidiaries. Pursuant to the agreement, Carena provides the ongoing management to BF Realty and its subsidiaries.

In June 1991, BF Realty announced that the previously reported financial restructuring, which had been expected to take place by June 30, 1991, was now expected to take place before April 30, 1993. BCE and Carena have agreed to extend the maturity of their secured loans to Brookfield to April 30, 1993 and to apply such loans towards the purchase of equity securities of Brookfield at the time of the aforementioned financial restructuring. This agreement is conditional upon Brookfield's project lenders and commercial banks supporting Brookfield during the deferral period and on BF Realty's creditors deferring the enforcement of their claims. Without these

3. Real estate operations
(continued)

agreements, BCE and Carena will, subject to the rights of prior ranking creditors, be entitled to take such proceedings as they consider appropriate to protect their secured loans to Brookfield, which may include the commencement of realization or other enforcement proceedings.

BF Realty and its subsidiaries including Brookfield, as well as BCE and Carena, are currently defendants in a number of lawsuits in Canada and the United States by creditors of BF Realty or its affiliates initiated both prior to and subsequent to the June 1991 announcement of BF Realty. Although deferral agreement has not been reached with such creditors, discussions are continuing with certain of these creditors.

4. Investments in associated companies

	($ millions)	
	December 31, 1991	December 31, 1990
TransCanada PipeLines Limited (TCPL) (a)	**447**	434
STC Limited (b)	**—**	1,269
ICL PLC (c)	**168**	—
Maritime Telegraph and Telephone Company, Limited (MT&T) and Bruncor Inc. (d)	**239**	219
Teleglobe Inc. (e)	**187**	231
Other companies (f)	**214**	185
Total	**1,255**	2,338

(a) TCPL

At December 31, 1991, BCE held 37,499,600 common shares or 21.9% of TCPL (24.4% in 1990). These shares are subject to warrants exercisable at $17.50 per share for a total exercise price of $656 million until December 15, 1992. The equity income was $41 million (1990 — $52 million, 1989 — $62 million).

(b) STC Limited

At December 31, 1990, Northern Telecom owned approximately 27% of the ordinary shares of STC. As mentioned in note 2, following the acquisition by Northern Telecom of the remaining outstanding ordinary shares (73%), the accounts of that company are fully consolidated, commencing March 1, 1991. The equity income in 1990 was $60 million (1989 — $78 million).

(c) ICL PLC

At December 31, 1991, STC, a subsidiary of Northern Telecom, owned 20% of ICL PLC (formerly STC International Computers Limited). In 1991, the equity income was $25 million.

(d) MT&T and Bruncor

At December 31, 1991, BCE owned 32.0% of the common shares of Bruncor Inc. and 9,380,190 common shares (33.6%) of MT&T. A Nova Scotia statute provides that no more than 1,000 shares of MT&T may be voted by any one shareholder. The equity income of those companies was $27 million (1990 — $21 million, 1989 — $21 million).

(e) Teleglobe

At December 31, 1991, the investment in Teleglobe Inc. (formerly Memotec Data Inc.), the parent corporation of Teleglobe Canada Inc., represented an interest of approximately 22.2% (1990 — 31.5%) on a fully diluted basis. The reduction in ownership in 1991 reflects the sale in 1991 of a portion of BCE's holding. The equity income was $3 million (1990 — nil, 1989 — $3 million).

(f) Other companies

At December 31, 1990, other companies included an equity investment of $97 million in Quebecor which represented 21.6%. In 1991, BCE reduced its interest in Quebecor through sales of Quebecor shares and warrants to purchase additional Quebecor shares held by BCE until April 22, 1992. Assuming full exercise of the warrants, BCE's equity investment in Quebecor would be eliminated. The carrying value of the remaining shares are now included in Other investments.

5. Other investments

	December 31, 1991	($ millions) December 31, 1990
Encor Inc.* — preferred shares	**263**	248
— common shares	**79**	79
Loans to Kinburn Corporation and shares of SHL Systemhouse Inc. (see note 6-b)	**63**	63
Direct and indirect investments in BF Realty Holdings Limited and its principal subsidiary, Brookfield Development Corporation, comprised of loans, preferred shares and convertible debentures	**499**	442
Other	**87**	116
	991	948

*At December 31, 1991, BCE owned approximately 19% of common shares (29,702,130) of Encor Inc. (Encor) and 100% of the redeemable convertible preferred shares of Encor convertible into 74,618,433 common shares. Commencing with the third quarter of 1990, BCE no longer accounts for its common share investment in Encor by the equity method.

6. Other income — Miscellaneous — net

	1991	($ millions) 1990	1989
Gains (losses) on investments			
Sales of equity in BCE Mobile Communications Inc.	**54**	44	110
TransCanada PipeLines Limited (a)	**—**	149	—
Provision (b)	**—**	(357)	—
Total gains (losses) on investments (c)	**54**	(164)	110
Interest income	**84**	84	82
Other	**13**	(96)	(36)
	151	(176)	156

(a) Gain on sale of units, consisting of 37,500,000 TCPL common shares and warrants to purchase TCPL common shares from BCE.

(b) The provision relates to loans to Kinburn Corporation and common shares of SHL Systemhouse Inc. to reduce the carrying value of those investments to $63 million.

(c) Net impact on results of gains and losses on investments:

	1991	1990	1989
Total gains (losses) on investments	**54**	(164)	110
Income taxes (recovery)	**—**	(84)	19
Net gains (losses) on investments	**54**	(80)	91

7. Income taxes

A reconciliation of the statutory income tax rate to the effective income tax rate follows:

	1991	1990	1989
Statutory income tax rate in Canada	**41.2%**	41.2%	41.1%
(i) Allowance for funds used during construction, net of applicable depreciation adjustment	**(0.1)**	(0.3)	(0.3)
(ii) Reduction of Canadian federal taxes applicable to manufacturing profits	**(0.3)**	(0.5)	(0.3)
(iii) Equity in net income of associated companies	**(1.7)**	(3.0)	(3.2)
(iv) Tax incentives on research and development expenditures	**(4.8)**	(4.6)	(3.9)
(v) Difference between Canadian statutory rates and those applicable to foreign subsidiaries	**(2.1)**	(1.5)	(1.2)
(vi) Amortization of deferred tax adjustment	**(2.3)**	(2.7)	(0.6)
(vii) Other	**2.1**	1.0	1.2
Effective income tax rate	**32.0%**	29.6%	32.8%

Details of income taxes:

		($ millions)	
	1991	1990	1989
Income before income taxes and minority interest			
Canadian	**1,857**	1,611	1,810
Foreign	**648**	513	425
Total income before income taxes and minority interest	**2,505**	2,124	2,235
Income taxes			
Canadian	**605**	460	604
Foreign	**198**	168	129
Total income taxes	**803**	628	733
Income taxes			
Current	**777**	558	645
Deferred	**26**	70	88
Total income taxes	**803**	628	733

Deferred income taxes result from deductions for tax purposes, principally in respect of plant, in excess of amounts currently charged to operations.

Deferred credits — Income taxes on the consolidated balance sheet includes the unamortized deferred tax adjustment in the amount of $161 million (1990 — $219 million) (see note 1).

8. Accounts receivable

At December 31, 1991, accounts receivable included $84 million (1990 — $77 million) from associated companies. The 1990 amount also included $309 million representing the second instalment from the sale of TCPL common shares which was due and received by October 1, 1991. Provision for uncollectibles was $61 million (1990 — $50 million).

9. Commitments as lessee

At December 31, 1991, the future minimum lease payments under capital leases and operating leases with initial non-cancellable lease terms in excess of one year were:

	($ millions)	
	Capital leases	Operating leases
1992	24	305
1993	23	252
1994	26	197
1995	14	157
1996	11	139
Thereafter	52	413
Total future minimum lease payments	150	1,463
Less: estimated executory costs	30	
Net minimum lease payments	120	
Less: imputed interest	43	
Present value of net minimum lease payments	**77**	

Rental expense applicable to all operating leases for the year 1991 was $382 million (1990 — $322 million, 1989 — $303 million).

10. Inventories

	($ millions)	
	December 31, 1991	December 31, 1990
Raw materials	**308**	277
Work-in-process	**344**	238
Finished goods	**414**	528
	1,066	1,043

11. Financial services

(a) Loans receivable

	($ millions)			
	December 31, 1991		December 31, 1990	
	Amount	**Yield**	Amount	Yield
Corporate and commercial loans				
At variable rates	**1,847**	**9.18%**	1,782	13.34%
At fixed rates (principally due within five years)	**818**	**12.74%**	773	12.69%
	2,665		2,555	
Allowance for loan losses	**(41)**		(29)	
	2,624		2,526	
Mortgages				
At variable rates	**276**		225	
At fixed rates (all due within five years)	**6,794**		6,738	
	7,070		6,963	
Allowance for loan losses	**(46)**		(47)	
	7,024		6,916	
Total loans receivable	**9,648**		9,442	
Breakdown of mortgages is as follows:				
Residential	**4,176**	**11.00%**	4,238	12.01%
Income property	**2,848**	**11.03%**	2,678	12.06%
	7,024		6,916	

	($ millions)	
	December 31, 1991	December 31, 1990
Allowance for loan losses		
Balance at beginning of year	**76**	51
Provision for loan losses during the period	**33**	20
Adjustment related to the acquisition of a company	**—**	9
Realized loan losses	**(22)**	(4)
Balance at end of year	**87**	76

11. Financial services
(continued)

(b) Bonds, stocks and other investments

	December 31, 1991 ($ millions)		December 31, 1990	
	Cost	**Market**	Cost	Market
Bonds and debentures				
Corporate and government				
Fixed interest rates	**1,035**	**1,035**	661	659
Variable interest rates	**97**	**91**	110	108
	1,132	**1,126**	771	767
Stocks				
Preferred stocks				
Fixed dividend rates	**256**	**264**	308	282
Variable dividend rates	**250**	**203**	241	212
Common stocks	**34**	**35**	118	111
	540	**502**	667	605
Other investments	**66**		55	
Total bonds, stocks and other investments	**1,738**		1,493	

(c) Demand deposits, investment certificates and borrowings

	December 31, 1991 ($ millions)		December 31, 1990	
		Nominal rate		Nominal rate
Demand deposits	**1,189**	**4.97%**	1,071	9.43%
Investment certificates and borrowings	**10,711**	**9.57%**	10,655	11.10%
	11,900		11,726	

At December 31, 1991, the investment certificates and borrowings due in the years 1992 to 1996 were $5,546 million, $2,257 million, $1,308 million, $633 million and $755 million, respectively; and in 1997 and thereafter, $212 million.

In the ordinary course of managing its assets and liabilities, Montreal Trustco Inc. uses various financial instruments, which are not reflected in its balance sheet, to reduce or eliminate its exposure to foreign exchange or interest rate risks. Foreign currency risk is managed through foreign exchange contracts and cross currency swaps. Interest rate risk is managed through a variety of instruments, principally interest rate swaps which are used to convert fixed interest rates to floating rates and vice versa, and future rate agreements which are used to hedge against future changes in interest rates.

Income or expense associated with currency and interest rate swaps are accrued over the life of the agreements. Gains and losses on future rate agreements and foreign exchange contracts which are principally entered into for hedging purposes are deferred and recognized in income over the expected remaining life of the hedged items.

The nominal amount of the principal instruments entered into are:

	December 31, 1991 ($ millions)	December 31, 1990
— currency and interest rate swaps	**3,107**	3,785
— future rate agreements	**290**	425
— foreign exchange contracts	**59**	265

In order to meet the needs of its customers, Montreal Trustco Inc. also made commitments to extend credit in the amount of $662 million.

12. Property, plant and equipment

	($ millions)			
	December 31, 1991		December 31, 1990	
	Cost	**Net of accumulated depreciation**	Cost	Net of accumulated depreciation
Telecommunications services				
Buildings, plant and equipment	**25,884**	**16,774**	24,264	15,858
Land	**125**	**125**	115	115
Plant under construction	**536**	**536**	484	484
Material and supplies	**100**	**100**	87	87
	26,645	**17,535**	24,950	16,544
Telecommunications equipment manufacturing				
Buildings, plant and equipment	**4,421**	**2,189**	3,746	1,762
Land	**115**	**115**	38	38
	4,536	**2,304**	3,784	1,800
Other				
Buildings, plant and equipment	**335**	**208**	348	225
Land	**4**	**4**	5	5
	339	**212**	353	230
	31,520	**20,051**	29,087	18,574
Capitalized leases included in the above amounts	**75**	**47**	77	48

13. Debt due within one year

	($ millions)	
	December 31, 1991	December 31, 1990
Long-term debt — current portion	**796**	357
Notes payable	**1,343**	1,408
Bank advances	**108**	113
	2,247	1,878

14. Long-term debt

		($ millions) Total outstanding December 31 1991	1990
BCE Inc.			
10% Notes due 1992		**300**	300
9⅝% Notes due 1993		**300**	300
10⅜% Notes due 1996		**250**	—
Total — BCE (a)		**850**	600
Bell Canada			
Interest rates	Due dates		
First mortgage bonds (b)			
4.85% to 7⅞%	1991 to 2003	**367**	435
8% to 9⅞%	1991 to 2004	**594**	632
10% to 10½%	1994 to 1996	**71**	71
Debentures and notes (c)			
5⅛%	1993	**85**	91
8¾% to 9⅞%	1996 to 2011	**1,462**	1,314
10% to 12.65%	1991 to 2041	**2,350**	2,125
13⅜% to 17.1%	1994 to 2010	**468**	469
Other		**48**	45
Total — Bell Canada		**5,445**	5,182
Northern Telecom Limited		**1,679**	1,153
Other subsidiaries (d)		**793**	853
Sub-total — BCE consolidated		**8,767**	7,788
Less: due within one year		**796**	357
Total — BCE consolidated		**7,971**	7,431

(a) On January 8, 1992, BCE issued in Canada $250 million of 8.5% Series 6 Notes, maturing January 31, 1997.

(b) The first mortgage bonds of Bell Canada, which include US $408 million maturing from 1994 to 2004, are secured by a first mortgage and a floating charge on Bell Canada.

(c) Debentures and notes of Bell Canada include US $600 million maturing from 2006 to 2010; 100 million Swiss francs maturing in 1993; and 195 million New Zealand dollar notes maturing in 1994 which are hedged by means of foreign exchange contracts as to principal amount and the related interest payments.

(d) Excluding consolidated debt of Montreal Trustco Inc., which is reported under Financial services — Investment certificates and borrowings.

At December 31, 1991, the estimated amounts of long-term debt payable by the corporation and its subsidiaries in the years 1992 to 1996 were $796, $725, $628, $384 and $1,125 million, respectively.

15. Preferred shares

Authorized

The articles of incorporation of BCE provide for an unlimited number of first preferred shares and second preferred shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching thereto, prior to their issue.

	December 31, 1991		December 31, 1990	
Outstanding	**Number of shares**	**Stated capital ($ millions)**	Number of shares	Stated capital ($ millions)
First Preferred Shares				
$1.96 shares, series G (a)	**—**	**—**	12,239	1
$2.05 shares, series H (b)	**128,762**	**3**	261,403	5
Series J shares (c)	**600**	**300**	600	300
$1.95 shares, series M (d)	**8,000,000**	**200**	8,000,000	200
Series N shares (e)	**700**	**350**	700	350
Series O shares (f)	**10,000,000**	**379**	10,000,000	379
		1,232		1,235

(a) $1.96 shares

The $1.96 preferred shares were redeemed on November 1, 1991, at a price of $25 per share.

(b) $2.05 shares

The $2.05 preferred shareholders are entitled to cumulative annual dividends of $2.05 per share, payable quarterly, and have one vote per share. These shares are convertible on the basis of one preferred share for one common share on or before April 15, 1992. At December 31, 1991, 9,871,238 shares had been converted (including 132,641 during 1991, 54,427 during 1990 and 152,122 during 1989). On September 25, 1991, BCE announced that shares not converted on April 15, 1992 will be redeemed on April 16, 1992 at a price of $20 per share.

(c) Series J shares

The Cumulative Redeemable First Preferred Shares, Series J were issued in March 1989, by way of private placement at $500,000 per share to yield 7.64%. The Series J preferred shareholders are entitled to cumulative annual dividends of $38,200 per share, payable quarterly, to September 30, 1994. After that date, the quarterly dividends will be determined by one of: direct negotiation between BCE and holders of the shares; bids solicited from investment dealers; or an auction procedure. These shares, which are non-voting except in certain circumstances where Series J preferred shareholders are entitled to 5,000 votes per share, are not redeemable prior to September 30, 1994. From that date, they will be redeemable, at BCE's option, at a price of $500,000 per share.

(d) $1.95 shares

The $1.95 Cumulative Redeemable Retractable First Preferred Shares, Series M were issued in April 1989, at $25 per share to yield 7.80%. The $1.95 preferred shareholders are entitled to cumulative annual dividends of $1.95 per share, payable quarterly. These shares, which are non-voting except in certain circumstances where $1.95 preferred shareholders are entitled to one vote per share, are redeemable at the holder's option on April 30, in each of the years 1995 and 1996, at $25 per share, and on or after April 30, 1995, at BCE's option, at $25 per share. BCE may elect, on or before March 16, 1995, to create a further series of first preferred shares into which the $1.95 shares will be convertible on a share for share basis, at the option of the holder, on April 30, 1995.

(e) Series N shares

The Cumulative Redeemable First Preferred Shares, Series N were issued in October 1989, by way of private placement at $500,000 per share to yield 7.55%. The Series N preferred shareholders are entitled to cumulative annual dividends of $37,750 per share, payable quarterly, to November 30, 1994. After that date, the quarterly dividends will be determined by one of: direct negotiation between BCE and holders of the shares; bids solicited from investment dealers; or an auction procedure. These shares, which are non-voting except in certain circumstances where Series N preferred shareholders are entitled to 5,000 votes per share, are not redeemable prior to November 30, 1994. From that date, they will be redeemable, at BCE's option, at a price of $500,000 per share.

15. Preferred shares
(continued)

(f) Series O shares

On April 26, 1990, BCE issued 10,000,000 Variable Rate Cumulative Redeemable Retractable and Convertible First Preferred Shares, Series O. The holders of Series O preferred shares are entitled to receive quarterly cumulative dividends in an amount equal to the greater of the quarterly dividend declared on common shares of BCE and $0.65 per share. The Series O preferred shares, which are non-voting except in certain circumstances where the Series O preferred shareholders are entitled to one vote per share, are redeemable at the option of the holders on April 27, 1995, at a price of $41.75 per share. After April 28, 1995, Series O preferred shares will be redeemable at the option of BCE at $41.75 per share. On April 28, 1995, holders of Series O preferred shares may acquire, for each Series O preferred share held, one common share of BCE by the combined effect of the tendering for conversion of one Series O preferred share and the exercise of one warrant together with a cash payment of $4.00 per warrant (see note 17 for a description of the warrants).

16. Common shares

Authorized: an unlimited number of common shares

	December 31, 1991		December 31, 1990	
	Number of shares	**Stated capital ($ millions)**	Number of shares	Stated capital ($ millions)
Outstanding	**310,292,429**	**5,614**	305,411,936	5,407

Number of common shares issued during the last three years:

	1991	1990	1989
For cash			
Shareholder Dividend Reinvestment and Stock Purchase Plan	**2,776,826**	3,236,869	3,275,305
Employees' Savings Plan	**1,864,218**	—	—
Exercise of options	**106,808**	—	16,187
Conversion of preferred shares	**132,641**	122,885	247,670
Optional Stock Dividend Program	**—**	—	64,807
On acquisition of Montreal Trustco Inc.	**—**	—	8,902,489
	4,880,493	3,359,754	12,506,458

Stock options

Under the Long-Term Incentive (Stock Option) Program (1985) (the Plan), options may be granted to officers and other key employees of BCE and of its subsidiaries to purchase common shares of BCE at a subscription price of 100% of market value. The options are exercisable during a period not to exceed ten years. The right to exercise options generally accrues over a period of four years of continuous employment. Options are not generally exercisable during the first twelve months after the date of the grant. Simultaneously with the grant of an option, the employee may also be granted the right to a special compensation payment (SCP) (payable, in accordance with the terms of the Plan, in cash or in shares of BCE). The amount of any SCP is equal to the increase in market value of the number of BCE shares covered by the SCP (which number may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCP to the date of exercise of the option to which the SCP is related.

At December 31, 1991, a total of 4,872,813 common shares remained authorized for issuance under the Plan. Shares covered by options granted with respect to any year may not exceed one-half of one per cent of the outstanding common shares of the corporation at the end of the immediately preceding year.

16. Common shares
(continued)

As of February 12, 1992, options covering 930,140 shares were outstanding: 472,200 granted with respect to the years 1984 to 1988, at an exercise price varying from $36.8125 to $39.75 per share; 123,454 granted with respect to the year 1989, at an exercise price of $43.25 per share; 122,804 granted with respect to the year 1990, at an exercise price varying from $36.75 to $40.125 per share; and 211,682 granted with respect to the year 1991, at an exercise price varying from $41.8125 to $48.6875 per share. Under the terms of the Plan, options granted with respect to 1984, 1985, 1986 and 1987, three-quarters of those with respect to 1988, one-half of those with respect to 1989 and one-quarter of those with respect to 1990 are now exercisable. In addition, SCPs have been granted to the same key employees covering the same number of shares as the options to which the SCPs are related with the exception of outstanding options covering 56,970 shares granted with respect to the year 1990 and 45,954 shares granted with respect to the year 1991 for which no SCPs have been granted.

Additional common shares reserved at December 31, 1991 — 24,451,022:

4,186,478 shares for issuance under the Shareholder Dividend Reinvestment and Stock Purchase Plan.

10,135,782 shares for issuance under the Employees' Savings Plan.

128,762 shares for issuance upon conversion of the $2.05 convertible preferred shares.

10,000,000 shares for issuance upon exercise of warrants and/or conversion of Series O preferred shares.

17. Common share purchase warrants

On December 31, 1991, there were 10,000,000 Common Share Purchase Warrants outstanding. These warrants were issued concurrently with the Series O preferred shares on April 26, 1990, for $38.5 million. They will expire on April 28, 1995 and entitle their holders to subscribe for one BCE common share for each warrant for $45.75 in cash (or on April 28, 1995, a cash payment of $4.00 and the tendering for conversion of one Series O preferred share — see also note 15-f).

18. Foreign exchange adjustment

Following is an analysis of the foreign exchange adjustment included in the common shareholders' equity resulting from self-sustaining foreign operations:

	($ millions)		
	1991	1990	1989
Balance at beginning of year	**(117)**	(210)	(99)
Translation adjustments for the year	**(8)**	93	(111)
Balance at end of year	**(125)**	(117)	(210)

19. Unused bank lines of credit

At December 31, 1991, unused bank lines of credit available to BCE and its subsidiaries, generally available at the prime bank rate of interest, amounted to approximately $3,253 million.

20. Quarterly financial data

Summarized consolidated quarterly financial data:

($ millions, except per share amounts)

	Quarters — 1991 First	Second	Third	Fourth
Total revenues	**4,728**	**5,054**	**4,830**	**5,272**
Telecommunications services				
Operating revenues	2,097	2,154	2,171	2,175
Net revenues	561	581	596	527
Telecommunications equipment manufacturing				
Revenues	2,139	2,405	2,177	2,622
Gross profit	846	989	941	1,147
Net revenues	183	220	228	330
Financial services				
Revenues	390	378	365	354
Net revenues	15	16	10	(6)
Other operations				
Operating revenues	102	117	117	121
Net revenues	7	8	9	(3)
Net income	293	307	361	368
Net income applicable to common shares	269	283	337	346
Earnings per common share	0.88	0.92	1.10	1.11
Average number of common shares outstanding (thousands)	305,983	306,732	308,182	309,654

	Quarters — 1990 First	Second	Third	Fourth
Total revenues	**4,406**	**4,602**	**4,490**	**4,875**
Telecommunications services				
Operating revenues	2,070	2,117	2,133	2,148
Net revenues	517	540	595	532
Telecommunications equipment manufacturing				
Revenues	1,848	1,981	1,844	2,178
Gross profit	709	761	743	931
Net revenues	150	164	164	309
Financial services				
Revenues	369	388	407	411
Net revenues	20	20	22	(1)
Other operations				
Operating revenues	119	116	106	138
Net revenues	7	7	5	8
Net income	265	268	269	345
Net income applicable to common shares	249	247	244	322
Earnings per common share	0.82	0.82	0.80	1.05
Average number of common shares outstanding (thousands)	302,603	303,359	304,185	305,072

21. Reconciliation of results reported in accordance with generally accepted accounting principles (GAAP) in Canada with United States GAAP

($ millions, except per share amounts)

	Quarters — 1991 First	Second	Third	Fourth
Net income — Canadian GAAP	293	307	361	368
Adjustments				
Foreign exchange	10	15	4	(23)
Equity in net income of associated companies	1	1	1	—
Other adjustments (a)	(2)	(3)	(3)	(2)
Net income — U.S. GAAP	**302**	**320**	**363**	**343**
Earnings per common share — U.S. GAAP	0.91	0.97	1.10	1.04

	Quarters — 1990 First	Second	Third	Fourth
Net income — Canadian GAAP	265	268	269	345
Adjustments				
Foreign exchange	(11)	2	3	(2)
Equity in net income of associated companies	(4)	3	3	1
Other adjustments (a)	(3)	(2)	(3)	(3)
Net income — U.S. GAAP	**247**	**271**	**272**	**341**
Earnings per common share — U.S. GAAP	0.76	0.82	0.82	1.04

	Years ended December 31 **1991**	1990	1989
Net income — Canadian GAAP	**1,329**	1,147	761
Adjustments			
Foreign exchange	**6**	(8)	28
Refund to subscribers of Bell Canada (b)	**—**	—	(101)
Equity in net income of associated companies	**3**	3	22
Other adjustments (a)	**(10)**	(11)	(8)
Net income — U.S. GAAP	**1,328**(c)	1,131(c)	702
Earnings per common share — U.S. GAAP	**4.01**	3.44	2.24

(a) Figures include additional amortization of goodwill related to Montreal Trustco Inc. assuming the amortization period would be 25 years rather than 40 years.

(b) Under United States GAAP, it is required to recognize in the current income the refunds to subscribers which occur in a period other than the period in which the related revenue was recognized.

(c) If Bell Canada's 1991 and 1990 early retirement incentive plans had been treated in accordance with the United States Financial Accounting Standards Board's Statement No. 88: Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, net income would have decreased by $72 million in 1991 and by $108 million in 1990.

(d) United States Financial Accounting Standards Board has issued standards to account for income taxes and health care and other postretirement benefits, to be effective in 1993. BCE has not determined the effect that these standards might have.

22. Pensions

BCE and most of its subsidiary companies have non-contributory defined benefit plans which provide for service pensions, based on length of service and rates of pay, for substantially all their employees. The policy is to fund pension costs, through contributions based on various actuarial cost methods, as permitted by pension regulatory bodies. Contributions reflect actuarial assumptions regarding salary projection and future service benefits. Plan assets are represented by common and preferred shares, bonds and debentures, cash and short-term investments, real estate and mortgages.

The following table sets forth the financial position of the pension plans:	($ millions) 1991	1990
Net assets available for plan benefits – at market value	**10,937**	8,113
Actuarial present value of plan benefits	**9,743**	7,763
Excess	**1,194**	350

	($ millions) 1991	1990	1989
Total pension expense	**169**	162	182

(a) Supplementary data related to pensions:	($ millions) 1991	1990
Net assets available for plan benefits – at market value	**10,937**	8,113
Actuarial present value of plan benefits		
Accumulated plan benefits		
Vested	**6,469**	4,729
Non-vested	**993**	922
	7,462	5,651
Effect of salary projection	**2,281**	2,112
Accrued plan benefits	**9,743**	7,763
Excess of plan assets at market value over accrued plan benefits	**1,194**	350
Unrecognized net experience gains	**(1,287)**	(487)
Unrecognized net assets existing at January 1, 1987	**(136)**	(155)
Other unrecognized net plan benefits and amendments	**474**	171
Net accrued pension asset (obligation) reflected on the consolidated balance sheet	**245**	(121)
Deferred pension asset (included in deferred charges)	**438**	34
Deferred pension obligation (included in deferred credits)	**(193)**	(155)
Net accrued pension asset (obligation)	**245**	(121)

22. Pensions

(continued)

(b) Analysis of the pension expense:	1991	1990	1989
	($ millions)		
Service cost – benefits accrued	**285**	260	243
Interest on projected plan benefits	**803**	619	547
Return on plan assets	**(1,522)**	58	(1,072)
Net amortization and deferrals	**603**	(775)	464
Total	**169**	162	182

The provision for pension cost was calculated using a value of assets adjusted to market over periods ranging from 3 to 5 years, which amounted to $10,545 million at December 31, 1991 (1990 — $8,250 million, 1989 — $7,719 million). The weighted average discount rate used in determining the accumulated and accrued plan benefits, and the weighted average assumed long-term rate of return on plan assets, was 8.8% for 1991 (1990 — 8.6%, 1989 — 8.2%).

In addition to pension benefits, BCE and its subsidiary companies provide certain health care and life insurance benefits for retired employees. The costs of such benefits, excluding life insurance, are paid out of current income, as benefits are received, and in 1991 amounted to $20 million (1990 — $17 million, 1989 — $18 million). Life insurance for retired employees is largely funded during their working lives.

23. Industry segments information

BCE and its subsidiaries operate principally in three reportable business segments:

1) Telecommunications services, which includes the provision of voice, data, image, radio and television transmission, public exchange and private line teletypewriter and other telecommunications services, including directory operations;

2) Telecommunications equipment manufacturing, which involves the design, development, manufacture, marketing, sale, financing and service of central office switching equipment, business communications systems and terminals, transmission equipment, cable and outside plant products, and other telecommunications products and services; and

3) Financial services, which includes the financial intermediary business of accepting deposits or other borrowings and investing in residential mortgages, commercial mortgages, corporate loans and other securities and fiduciary activities such as personal trust, corporate trust, stock transfer and pension plan administration, are carried out by Montreal Trustco Inc.

Other operations include international operations; directory services; printing and publishing and other activities.

Details of revenues and supplementary data by business segment and geographic area are set out in the following tables.

23. Industry segments information

(continued)

The following table sets forth revenues, net revenues and supplementary data for each of the corporation's business segments for the years ended December 31:

By business segment	1991	($ millions) 1990	1989
Revenues			
Telecommunications services	**8,597**	8,468	8,011
Telecommunications equipment manufacturing	**9,343**(a)	7,851(a)	7,161(a)
Intersegment revenues	**35**	44	57
	9,378	7,895	7,218
Financial services	**1,487**	1,575	985
Other operations	**457**	479	524
Intersegment revenues	**23**	25	29
	480	504	553
Elimination of intersegment revenues	**(58)**	(69)	(86)
Total revenues	**19,884**	18,373	16,681
Total net revenues			
Telecommunications services	**2,263**	2,176	2,028
Telecommunications equipment manufacturing	**958**	783	621
Financial services	**36**	61	58
Other operations	**25**	39	27
	3,282	3,059	2,734
Identifiable assets			
Telecommunications services	**19,130**	18,326	17,334
Telecommunications equipment manufacturing	**10,422**	6,229	5,861
Financial services	**12,526**	12,260	10,988
Other operations	**523**	551	583
Eliminations	**105**	169	226
	42,706	37,535	34,992
Investments	**2,246**	3,286	3,640
General corporate assets	**752**(b)	1,166(b)	629(b)
Total assets as at December 31	**45,704**	41,987	39,261
Depreciation			
Telecommunications services	**1,695**	1,587	1,416
Telecommunications equipment manufacturing	**499**	399	377
Financial services	**4**	7	2
Other operations and general corporate	**21**	25	18
Total depreciation	**2,219**	2,018	1,813
Gross capital expenditures			
Telecommunications services	**2,612**	2,760	2,742
Telecommunications equipment manufacturing	**590**	515	436
Financial services	**9**	28	14
Other operations and general corporate	**25**	15	47
Total capital expenditures	**3,236**	3,318	3,239

23. Industry segments information

(continued)

The following table sets forth information by geographic area for the years ended December 31:

By geographic area (c)	($ millions) **1991**	1990	1989
Total revenues			
Canada			
Customers	**12,831**	12,966	11,670
Transfers between geographic areas	**1,111**	899	714
	13,942	13,865	12,384
U.S.A.			
Customers	**5,282**	4,929	4,612
Transfers between geographic areas	**355**	239	195
	5,637	5,168	4,807
Europe			
Customers	**1,543**	256	228
Transfers between geographic areas	**5**	—	—
	1,548	256	228
Other			
Customers	**228**	222	171
Transfers between geographic areas	**88**	80	89
	316	302	260
Elimination of transfers between geographic areas	**(1,559)**	(1,218)	(998)
Total revenues	**19,884**	18,373	16,681
Total net revenues before research and development expenses			
Canada	**3,247**	3,157	2,982
U.S.A.	**1,411**	1,296	1,085
Europe	**260**	(7)	1
Other	**9**	8	(1)
	4,927	4,454	4,067
Research and development expenses	**(1,218)**	(1,019)	(1,008)
General corporate expenses	**(427)**	(376)	(325)
Other income (expense)	**(777)**	(935)	(499)
Income before income taxes and minority interest	**2,505**	2,124	2,235
Identifiable assets			
Canada	**35,333**	33,329	30,766
U.S.A.	**4,661**	3,932	3,864
Europe	**4,884**	598	377
Other	**418**	201	247
Eliminations	**(2,590)**	(525)	(262)
	42,706	37,535	34,992
Investments	**2,246**	3,286	3,640
General corporate assets	**752**(b)	1,166(b)	629(b)
Total assets as at December 31	**45,704**	41,987	39,261

23. Industry segments information

(continued)

(a) Telecommunications equipment manufacturing includes revenues of $1,554 million (1990 — $1,743 million, 1989 — $1,733 million) from Bell Canada and other telecommunications subsidiary and associated companies of BCE. These revenues are not eliminated on consolidation. Telecommunications equipment manufacturing revenues of Northern Telecom from Bell Canada are at sale prices and terms as low as those offered to the most favoured customers of Northern Telecom for like materials and services under comparable conditions.

(b) General corporate assets include cash and temporary cash investments. The 1990 amount also included the second instalment of $309 million, received during the second half of 1991, on the sale of common shares of TCPL by BCE.

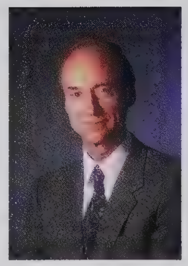
(c) The point of origin (the location of the selling organization) of revenues and the location of the assets determine the geographic area.

Selected financial and other data (consolidated)

	1991	1990	1989
Income statement data ($ millions)			
Revenues			
Local and access services	**2,748**	2,590	2,412
Toll and network services	**4,074**	4,108	3,918
Terminal, directory advertising and other — net	**1,775**	1,770	1,681
Total telecommunications services	**8,597**	8,468	8,011
Telecommunications equipment manufacturing	**9,343**	7,851	7,161
Financial services	**1,487**	1,575	985
Other operations	**457**	479	524
Total revenues	**19,884**	18,373	16,681
Income from continuing operations	**1,329**	1,147	1,201
Net income	**1,329**	1,147	761
Balance sheet data ($ millions)			
Total assets	**45,704**	41,987	39,261
Common equity	**10,727**	10,090	9,548
Preferred shares (redeemable)	**1,232**	1,235	858
Minority interest	**3,749**	3,277	2,892
Long-term debt (including current portion)	**8,767**	7,788	7,471
Gross capital expenditures	**3,236**	3,318	3,239
Common share data			
Earnings per share			
Continuing operations	**4.01**	3.50	3.91
Earnings per common share	**4.01**	3.50	2.43
Dividends declared per common share	**2.57**	2.53	2.49
Equity per common share	**34.57**	33.04	31.61
Return on common equity	**12.0%**	10.8%	7.6%
Other data			
Network access services (thousands)	**9,539**	9,300	8,986
Message toll services (millions)	**1,883**	1,821	1,695
Number of employees (thousands)	**124**	119	120

1988	1987	1986	1985	1984	1983	1982	1981
2,173	2,008						
3,518	3,392						
1,401	1,358						
7,092	6,758	6,390	5,966	5,541	5,076	4,691	4,140
6,598	6,471	6,114	5,829	4,359	3,276	3,005	2,570
—	—	—	—	—	—	—	—
755	1,092	1,063	1,051	715	550	734	719
14,445	14,321	13,567	12,846	10,615	8,902	8,430	7,429
853	1,070	974	1,007	935	830	615	556
846	1,076	979	1,009	935	830	615	556
25,988	23,797	21,576	19,506	17,396	14,772	13,211	12,201
9,214	8,885	8,217	7,200	6,252	5,307	4,257	3,859
13	243	257	313	378	423	522	362
2,342	2,292	2,134	1,798	1,349	800	528	447
6,511	5,972	5,052	5,041	4,609	4,282	4,567	4,449
3,074	2,803	2,322	2,217	1,961	1,604	1,765	1,714
2.97	3.85	3.63	4.04	4.01	3.88	3.07	3.00
2.95	3.87	3.65	4.05	4.01	3.88	3.07	3.00
2.45	2.41	2.37	2.30	2.205	2.105	1.99	1.84
31.82	32.44	30.97	29.26	26.78	24.68	22.68	21.74
9.2%	12.3%	12.1%	14.5%	15.8%	14.7%	13.7%	14.0%
8,472	8,117	7,746	7,424	7,145	6,887	6,722	6,650
1,455	1,254	1,083	978	895	833	791	793
115	116	109	108	108	101	98	102

Board of directors

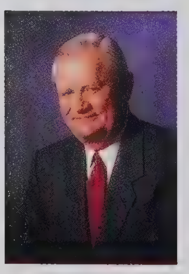


Peter A. Allen
Toronto, Ontario
Chairman, President and Chief Executive Officer
LAC Minerals Ltd.
(Mine exploration, development and production company, specializing in gold and other hardrock minerals)

Ralph M. Barford
Toronto, Ontario
President
Valleydene Corporation Limited
(private investment company)

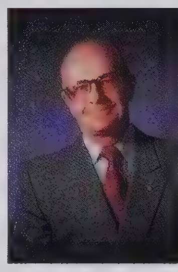
Laurent Beaudoin, C.C., F.C.A.
Westmount, Quebec
Chairman and Chief Executive Officer
Bombardier Inc.
(manufacturer of recreational, industrial, aerospace and transportation products)

Marcel Bélanger, O.C., F.C.A.
Quebec, Quebec
President
Gagnon et Bélanger Inc.
(management consultants)



Warren Chippindale, F.C.A.
Westmount, Quebec
Company Director/
Consultant

J.V. Raymond Cyr, O.C.
Montreal, Quebec
Chairman of the Board and Chief Executive Officer
BCE Inc.



C. William Daniel, O.C.
North York, Ontario
Company Director/
Consultant

A. Jean de Grandpré, C.C., Q.C.
Montreal, Quebec
Founding Director and Chairman Emeritus
BCE Inc.
Legal Counsel
Lavery, de Billy
(law firm)

J. Peter Gordon, O.C.
Mississauga, Ontario
Company Director

Jeannine Guillevin Wood
Montreal, Quebec
Chairman of the Board and Chief Executive Officer
Guillevin International Inc.
(distributor of electrical products)

The Honourable
Donald J. Johnston,
P.C., Q.C.
Montreal, Quebec
Legal Counsel
Heenan Blaikie
(law firm)

Gerald J. Maier
Calgary, Alberta
Chairman of the Board,
President and Chief
Executive Officer
TransCanada PipeLines
Limited
(a natural gas
transportation and
marketing company)

E. Neil McKelvey, O.C., Q.C.
Saint John, New Brunswick
Counsel
Stewart McKelvey Stirling
Scales
(law firm)

Jean C. Monty
Outremont, Quebec
Chairman of the Board and
Chief Executive Officer
Bell Canada

J. Edward Newall
Calgary, Alberta
President and Chief
Executive Officer
NOVA Corporation of
Alberta
(natural gas transportation
and chemicals
manufacturing and
marketing company)

Alastair H. Ross
Calgary, Alberta
Chairman and Chief
Executive Officer
Pacific Enterprises Oil
Company (Canada)
(oil and gas exploration
company)

C. Richard Sharpe
Mississauga, Ontario
Chairman of the Board
Sears Canada Inc.
(retail department stores
and catalogue sales)

Paul G. Stern
Potomac, Maryland
Chairman of the Board,
President and Chief
Executive Officer
Northern Telecom Limited

Louise B. Vaillancourt, C.M.
Outremont, Quebec
Company Director

Lynton R. Wilson
Montreal, Quebec
President and Chief
Operating Officer
BCE Inc.

Members of the committees of the board

Audit
M. Bélanger – chairman
R.M. Barford
L. Beaudoin
W. Chippindale
E.N. McKelvey
A.H. Ross
L.B. Vaillancourt

Investment
J.V.R. Cyr – chairman
P.A. Allen
M. Bélanger
C.W. Daniel
A.J. de Grandpré
J. Guillevin Wood
A.H. Ross
L.R. Wilson

Management Resources and
Compensation
J.P. Gordon – chairman
L. Beaudoin
C.W. Daniel
J.E. Newall
C.R. Sharpe

Pension Fund Policy
J.P. Gordon – chairman
J.V.R. Cyr
D.J. Johnston
E.N. McKelvey
J.C. Monty
P.G. Stern

Committees of the board

BCE has established permanent committees of the board of directors to permit continuing review of the areas of auditing, investment, management resources and compensation and pension fund policy.

The *Audit Committee* reviews the corporation's financial statements and related data prior to submission to the full board. It advises the board on the adequacy, accuracy and timeliness of financial reports; on the efficacy of internal accounting, auditing and control procedures; and ensures that BCE continues to meet high standards of disclosure, fully compliant with all external requirements and reporting standards.

The audit committee also advises the board on the selection of the shareholders' auditors, and meets, both separately and together, with the auditors and management. BCE's audit committee consists entirely of outside directors, *i.e.,* directors who are not officers of BCE or its subsidiaries. The audit committee met six times during 1991.

The *Investment Committee* is vested with the full powers and authority of the board in cases when investment decisions are required urgently. Its decisions are reported to the full board within 24 hours. The investment committee met once during 1991.

The *Management Resources and Compensation Committee* recommends candidates for appointment or election to the board, ensures that qualified personnel will be available for appointment to officer and other management ranks, and assesses the performance of officers. All members of the committee are outside directors. The management resources and compensation committee met five times during 1991.

The *Pension Fund Policy Committee* advises the board on the funding of pension liabilities and the investment of pension fund assets of BCE and certain of its subsidiary and associated companies. It also reviews and reports to the board on the activities of the pension fund trustee as directed by management. The pension fund policy committee met twice during 1991.

Corporate officers and group vice-presidents

J.V. Raymond Cyr
Chairman of the Board and Chief Executive Officer

Lynton R. Wilson
President and Chief Operating Officer

Jacques B. Bérubé
Group Vice-President, Telecom International

Thomas J. Bourke
Group Vice-President, Directories

Gerald T. McGoey
Executive Vice-President and Chief Financial Officer

Josef J. Fridman
Senior Vice-President, Law and Corporate Services

Frederick J. Andrew
Vice-President and Treasurer

Douglas B. Gibson
Vice-President and Comptroller

Bernard Grégoire
Vice-President, Corporate Affairs

Guy Houle
Vice-President and Corporate Secretary

Departmental executive

William Anderson
Assistant Vice-President, Taxation

Ivan Berggrun
Assistant Comptroller-Research, Budget and Results

Howard N. Hendrick
Assistant Treasurer and Director of Investor Relations

Marc J. Ryan
General Counsel

Reynold Tremblay
Assistant Comptroller-External Reporting

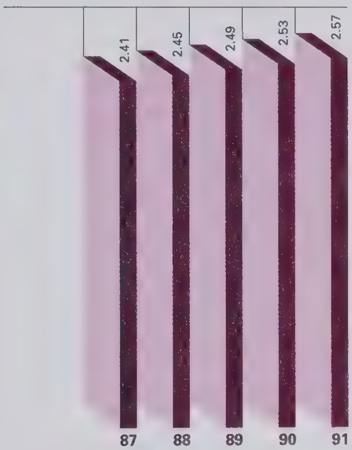
Leonard J. van der Heyden
President
BCE Corporate Services Inc.

	1991		1990	
	High	**Low**	High	Low
Montreal and Toronto				
1st quarter	**$43½**	**$38¼**	$46½	$40¾
2nd quarter	**43¾**	**39⅞**	41⅝	37⅞
3rd quarter	**45⅛**	**41⅞**	39¼	35
4th quarter	**48¼**	**43⅞**	40¾	34¾
NYSE consolidated tape (US $)				
1st quarter	**$37⅝**	**$33⅜**	$40	$34¾
2nd quarter	**37⅞**	**34⅜**	35¾	32½
3rd quarter	**40¼**	**36⅝**	33⅝	30⅜
4th quarter	**42⅝**	**38¾**	34⅞	30¼

Price ranges of common shares

Market prices per common share (Canadian $)

Dividend growth ($)



Dividends

Quarterly dividends of $0.64 per common share were paid in 1991 ($0.63 in 1990).

On November 27, 1991, an increase in the dividend on common shares was declared. The final 1991 quarterly dividend, which was paid on January 15, 1992, was raised to $0.65. The indicated annual rate is now $2.60, an increase of $0.04 over the previous annual rate.

Number of shareholders

At December 31, 1991, there were 310,292,429 BCE common shares outstanding, held by 260,747 registered shareholders.

Shareholder services and information

Dividend Reinvestment and Stock Purchase Plan (DRP)

Shareholders wishing to acquire additional common shares of BCE Inc. can take advantage of the Shareholder Dividend Reinvestment and Stock Purchase Plan. This plan provides a convenient method for eligible holders of BCE common shares to reinvest all of their common share cash dividends in new common shares of BCE.

Participating shareholders pay no brokerage commission or service charge of any kind and all administrative costs of the plan are borne by the corporation.

Payment of dividends – direct deposit

BCE Inc. shareholders resident in Canada may have their dividend cheques deposited directly to their personal account at most banks or other financial institutions. This service permits shareholders to arrange for the timely deposit of their dividend payments in a manner that is reliable, secure and convenient.

U.S. resident shareholders – choice of dollar denominated dividend payments

U.S. holders of common shares who are resident in the United States and have not elected to have their cash dividends reinvested in DRP normally have their dividends converted to and paid in U.S. funds, unless instructions to pay in Canadian funds are received.

Multiple mailings

In some cases, where a shareholder holds more than one class of securities, or when holdings are registered differently, the shareholder may receive more than one copy of publications such as annual reports. In such cases, please advise our transfer agent.

Do you wish to receive quarterly reports?

As BCE's results are published in the financial press shortly after the end of each quarter, an increasing number of BCE shareholders have elected not to receive quarterly reports. This results in a saving in both paper and expense.

Quarterly reports will be mailed only to those shareholders who have specifically asked to receive them. If you wish to receive quarterly reports, please advise Montreal Trust Company.

Canadian taxes on foreign investors

Income taxes

Dividends (including stock dividends) on BCE shares paid or credited to non-residents of Canada are subject to withholding tax at 25 per cent, unless reduced by treaty.

Under the United States-Canada Income Tax Convention, a withholding tax of 15 per cent applies to BCE dividends (including stock dividends) paid or credited to individuals residing in the United States, or corporations organized under the laws of the United States, which do not have a "permanent establishment" or a "fixed base" in Canada.

Gains on disposals of BCE shares by a non-resident of Canada are generally not subject to Canadian income tax, unless realized by the holder in connection with a business (including an "adventure in the nature of trade") carried on in Canada.

Estate and succession duties

There are no estate taxes or succession duties imposed by Canada or by any province of Canada.

Shareholder inquiries

For further information concerning DRP and how to participate, direct deposit, the elimination of multiple mailings and the receipt of quarterly reports, please contact the Montreal Trust Company.

By mail:
Montreal Trust Company
P.O. Box 1100, Station B
Montreal, Quebec
H3B 3K9

By telephone:
(514) 982-7555 – in the Montreal area or outside of Canada
1-800-561-0934 – elsewhere in Canada (toll-free)

Sur demande, le vice-président et secrétaire de la Société vous fera parvenir un exemplaire français du rapport annuel.

Investor information

Transfer offices for stock

Canada

Montreal Trust Company
St. John's, Nfld.
Halifax
Charlottetown
Saint John, N.B.
Montreal
Toronto
Winnipeg
Regina
Edmonton
Calgary
Vancouver

Outside Canada — Common shares only

American Transtech, Inc.
New York, N.Y.

The Royal Trust Company
London, England

Registrar for stock

Canada

Montreal Trust Company
St. John's, Nfld.
Halifax
Charlottetown
Saint John, N.B.
Montreal
Toronto
Winnipeg
Regina
Edmonton
Calgary
Vancouver

Outside Canada — Common shares only

American Transtech, Inc.
New York, N.Y.

The Royal Bank of Scotland plc
London, England

Listing of stock

Canada

The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

Outside Canada — Common shares only

Belgium
Brussels Stock Exchange

France
Paris Stock Exchange

Germany
Frankfurt am Main, Düsseldorf Stock Exchanges

Japan
Tokyo Stock Exchange

Switzerland
Zürich, Basel, Geneva Stock Exchanges

The Netherlands
Amsterdam Stock Exchange

United Kingdom
The Stock Exchange

United States
New York Stock Exchange

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